ANHEUSER-BUSCH
COMPANIES, INC.

Annual Report 1994

Bring Out Your Best:

Bud Light now leads the light beer pack, giving Anheuser-Busch the two best-selling brands in America!


BUD LIGHT
BUD LIGHT
BEER
KING OF BEERS.
THE WORLD RENOWNED

ANHEUSER-BUSCH COMPANIES, INC.

Cover:

In 1994 Bud Light moved into the spotlight as America's favorite light beer. At the same time, it became the number two beer overall next to Budweiser.

For a more detailed look at Bud Light's ascent, see page 17.

Contents

(In millions, except where noted)

Year Ended December 31,	**1994**	**1993**	**% Change**
Barrels of beer sold	*88.5*	87.3	1.4
Gross sales	*$13,733.5*	$13,185.1	4.2
Excise taxes	*1,679.7*	1,679.8	—
Net sales	*12,053.8*	11,505.3	4.8
INCLUDING 1993 SPECIAL CHARGES (See Note):			
Operating income	*$ 1,899.1*	$ 1,211.9	56.7
Pretax income	*1,707.1*	1,050.4	62.5
Net income	*1,032.1*	594.5	73.6
Fully diluted earnings per share	*3.88*	2.17	78.8
Effective tax rate	*39.5%*	43.4%	(3.9)
EXCLUDING 1993 SPECIAL CHARGES:			
Return on shareholders equity	*23.8%*	21.2%	2.6
Return on capital employed	*12.3%*	11.6%	.7
Fixed charge coverage	*7.6x*	7.6x	—
Total assets	*$11,045.4*	$10,880.3	1.5
Long-term debt	*3,078.4*	3,031.7	1.5
Shareholders equity	*4,415.5*	4,255.5	3.8
Total debt to total capitalization	*41.1%*	39.5%	1.6
Capital expenditures	*$ 784.8*	$ 776.9	1.0
Depreciation and amortization	*627.5*	608.3	3.2
Common stock dividends	*398.8*	370.0	7.9
Per share	*1.52*	1.36	11.8
All taxes	*2,634.5*	2,409.3	9.3
Weighted average shares outstanding:			
Primary	*264.1*	274.3	(3.7)
Fully diluted	*269.0*	279.3	(3.7)
Number of full-time employees	*42,622*	43,345	(1.7)
Number of common shareholders	*66,001*	67,612	(2.4)

NOTE: *1993 financial results presented above include the impact of two unfavorable nonrecurring special charges:*
(1) a restructuring charge ($565 million pretax); and
(2) a revaluation of the deferred tax liability due to the 1% increase in federal tax rate ($33 million after-tax).
To facilitate further evaluation and understanding of the company's financial results, key comparisons are disclosed excluding the nonrecurring special charges in the Letter to Shareholders and in Management's Discussion and Analysis.

Letter to Shareholders

I am pleased to report that Anheuser-Busch Companies achieved record sales, earnings, beer sales volume and market share in 1994. In addition, we reached a significant milestone when Bud Light became the best-selling light beer in the United States, giving Anheuser-Busch the number one and number two positions in the U.S. beer market. These accomplishments are especially notable in light of the challenges we faced, including price and new product competition in our core beer business and underperformance in our domestic baking operation.

August A. Busch III

Challenges, however, are opportunities at Anheuser-Busch...where our focus and ingenuity ultimately translate such challenges into new levels of leadership.

Much of our success in 1994 can be attributed to clear direction, as defined by our mission statement, and continued expansion of the Commitment to Excellence philosophy. Before discussing 1994 results, I would like to focus on these two important topics.

Corporate Mission

During the last year, we reviewed our mission statement ensuring that our corporate mission provides both a guiding philosophy and unmistakable direction for employees in all parts and at all levels of the company.

The mission at Anheuser-Busch is as true today as it was 100 years ago: That through all of our products, services and relationships, we find ways to add enjoyment to life.

In pursuing this mission, we are and have always been a company that is guided by fundamental beliefs. Exceeding customer expectations is our first priority. If the customer isn't happy, we're out of business. It's that simple. Quality has always been and will remain our key competitive advantage...for products, people and services. Well-trained and motivated employees acting with the highest integrity are critical to our success. Partnerships with suppliers promote innovation and advance quality. Respect for the environment and responsible consumption of our beer products are in the best interest of society and our company. Our commitment to responsible consumption is well known. Together with our family of independently owned wholesalers across the country, and through our "Know When To Say When" campaign, we support more than a dozen alcohol awareness and education programs that translate the message of personal responsibility into action in the

home, in schools and where beer is served and sold in communities around the country. The success of such efforts is well documented. Alcohol abuse indicators have trended downward over the last decade, with drunk-driving fatalities and underage drinking declining significantly.

In 1994, with our eye on the 21st century, we established several explicit goals. First, we will make all of our companies leaders in their industries in quality while exceeding customer expectations. Second, in our core business...beer, we will achieve a 50% share of the U.S. beer market, and establish and maintain a dominant leadership position in the international beer market. Third, we will provide our employees at all levels with challenging and rewarding work, satisfying working conditions, and opportunities for personal development, advancement and competitive compensation. Last, and perhaps most fundamental of all, we will provide our shareholders with superior returns. To that end our objectives include:

- Achieving double-digit annual earnings per share growth;
- Pursuing profitable international beer expansions;
- Increasing dividends consistent with earnings growth;
- Continuing to repurchase shares when the opportunity is right; and
- Generating quality earnings and cash flow returns.

Commitment to Excellence

In addition to the clear purpose and direction provided by our corporate mission, our company-wide commitment to excellence contributed to our success in 1994. Since the late 1980s, everyone at Anheuser-Busch has been working to incorporate the principles of total quality management—known here as "Commitment to Excellence"—into line and staff operations. CTE not only helps

Anheuser-Busch International continues to grow, with profits up approximately 50% over 1993. The company remains the leading exporter of beer from the United States, with sales in more than 65 countries.

ensure increasing quality but drives costs out of the operation by focusing on customer satisfaction, employee involvement and continuous improvement.

Our can and lid subsidiary, Metal Container Corporation, has had great success with CTE. We are currently working to incorporate the philosophy throughout our brewing operations, where significant cost savings can be achieved. Using our newest brewery in Cartersville, Ga., as a benchmark, we are modifying our older breweries to operate more efficiently and productively. We expect these redesigns to result in incremental cost savings of more than $300 million a year by 1998.

Summary of 1994 Results

As I said at the beginning of this letter, 1994 was a good year for your company. Due to a planned reduction in wholesaler inventories at December 31, 1994, the company's sales to wholesalers increased 1.4% and domestic market share (excluding exports) increased .3%, to 45%. In 1993 the company had built beer inventories in anticipation of national labor negotiations. As of December 31, 1994, inventory levels were at more normal levels.

Total beer sales to retailers increased by 2.8% during 1994. Even more importantly, our premium Budweiser family of brands grew by more than 3.5%. This compares to the overall brewing industry growth of .9%.

Labor negotiations were concluded successfully with the ratification of a new four-year labor contract, which covers the majority of the company's beer production employees. The new contract enhances a wage and benefits package that is already the most attractive in the industry. The agreement also establishes a framework for the company to increase operating productivity over time.

As premium volume trends improve, Anheuser-Busch will focus on its premium brands, particularly the Bud family, which contains the two best-selling brands in the U.S.—Budweiser and Bud Light.

Gross sales for 1994 were \$13.7 billion, and the company paid federal and state excise taxes during the year of \$1.7 billion. Consolidated net sales were \$12 billion, and net income increased to \$1 billion in 1994. Net sales increased 4.8% versus 1993, and net income and earnings per share increased 5.3% and 9.3%, respectively, versus 1993.

A summary of key financial comparisons follows:

Normal Operations - Excluding 1993 Special Charges

(\$ in millions, except per share)

			1994 vs. 1993	
	1994	1993	Amount	% Charge
Gross Sales	\$13,734	\$13,185	Up \$549	Up 4.2%
Excise Taxes	\$ 1,680	\$ 1,680	\$ 0	0%
Net Sales	\$12,054	\$11,505	Up \$549	Up 4.8%
Operating Income	\$ 1,899	\$ 1,777	Up \$122	Up 6.9%
Net Income	\$ 1,032	\$ 981	Up \$ 51	Up 5.3%
Fully Diluted Earnings Per Share	\$ 3.88	\$ 3.55	Up \$ .33	Up 9.3%

Our financial achievements in 1994 were attributable in large part to the foundation laid in 1993 by our Profitability Enhancement Program, which gave the company the flexibility to initiate beer market pricing activity necessary for long-term growth. As you may recall, I said in last year's report that our biggest challenge was to provide beer drinkers with quality, premium beer products at a price that demonstrates real value. We addressed this challenge by moderating price increases on our premium brands in 1994 while modestly increasing prices on our lower-priced brands. This strategy narrowed the spread between price categories which had given consumers an incentive to trade down. As a result of this strategy, sales of our premium beers represented virtually all of our sales volume growth in 1994.

As the industry moves to reduced levels of price discounting, we expect that customer price-value decisions will improve, leading to further reductions in trading down by consumers. As this stabilization occurs, we believe that our Commitment to Excellence philosophy and cost reduction efforts—like Cartersville benchmarking—will enable us to further increase profit margins. Pursuing long-term cost reduction will require significant capital investment, but our strong cash flow will enable us to finance these investments.

We assess our financial position using measures that gauge the company's ability to cover its debt payments with cash flow. These measures show that our debt position and strong cash flow provide the financial flexibility to support both the company's capital investment requirements and its international expansion strategies. The liquidity provided by strong operating cash flow from our primary business is a significant financial strength for your company.

In addition, setting financial ratio targets such as return on capital employed and cash flow return on gross investment helps us gauge our operating effectiveness and

Commitment to Excellence not only helps ensure increasing quality but drives costs out of the operation by focusing on customer satisfaction, employee involvement and continuous improvement.

our ability to generate return for our shareholders.

We will continue to allocate the cash flow we generate to our business segments based on their ability to generate superior returns, or return them directly to our shareholders through dividends and share repurchases.

Discussion of Key Subsidiaries

Domestic Beer

The domestic beer industry has changed significantly in the past four years. The economic weakness in the early 1990s, and higher beer prices due largely to the 1991 doubling of federal excise taxes, made our premium products appear less affordable. This, in turn, caused consumers to become more price sensitive and inclined to "trade down." Consumer price sensitivity, combined with excess industry capacity and lower material costs, led to increased price discounting. Because of Anheuser-Busch's high mix of premium products, we were impacted more by this discounting than the industry as a whole.

We believe, however, that industry fundamentals are now shifting in our favor. Beer is gaining an increasing share of total alcohol beverages consumed as consumers turn toward lighter alcohol beverages. Demographics are also working in our favor as baby boomers' offspring reach legal drinking age, a trend that will increase in 1995. Finally, wage earner disposable income is increasing. It's a simple fact that when people have more money, they tend to increase their consumption of premium brands. Given these factors, the domestic industry should experience annual growth through the end of the decade.

Anheuser-Busch has developed a focused strategy to capitalize on this favorable environment.

First, we will continue to target the premium and specialty beer segments for volume growth and introduce new products to meet specific consumer demands.

Second, marketing will be used to communicate our superior price/value relationship and the quality of our beers.

Third, Brewing and Operations will focus on reducing the cost of producing and distributing our products while maintaining superior quality.

Finally, we realize that political and social change is here to stay. We will remain a constructive participant in public policy debates that affect the consumers of our products and the public in general.

More specifically, our 1995 beer brand objectives reflect our fundamental strengths.

First, while the Budweiser brand continued to experience a volume decline in 1994, the decline has moderated substantially. Our number one priority in 1995 is Budweiser growth.

Second, Bud Light, which continued its double-digit growth performance in 1994, remains the cornerstone of our light beer growth strategy.

Third, we have introduced a number of new products. Bud Ice and Bud Ice Light will replace our Ice Draft brands in March. Innovative new packaging and the equity of the "Bud Ice" bar call will strengthen brand participation in the important ice beer segment. In addition, Elk Mountain and Red Wolf brands have been introduced into the regional and mainstream specialty beer markets. We will be introducing additional products in 1995.

As these strategies indicate, we recognize the importance of our continuing dominance of the domestic beer business and will continue to aggressively work to strengthen our leadership position.

Eagle Snacks has achieved the number two share position, as measured by Nielsen, for branded products in the potato, tortilla and nut product groupings.

International Beer

In international beer we have two broad objectives:

1. To continue our efforts to develop Budweiser as a leading international brand.
2. To enter into equity investments or joint ventures with the number one or number two brewer in growing markets.

Our international beer development efforts are targeted to provide a meaningful contribution to Anheuser-Busch's long-term growth. We have been developing our international beer business for 13 years and are now beginning to approach critical mass. During 1994 we began to show evidence of this through international sales volume growth of 30%, resulting in a total of 4.5 million barrels of U.S. exports and foreign-produced Anheuser-Busch beers. Combining this volume with our equity share of Grupo Modelo and Tsingtao sales, our total aggregate stake in international beer sales volume is 8.4 million barrels, which is approximately 10% of our domestic sales volume level. In addition, Anheuser-Busch International's pretax profit contribution increased by 50% in 1994, to nearly $50 million.

Successes during the year included the following:

- We are negotiating to acquire an 80% ownership interest in the Zhongde Brewery in Wuhan, China, and plan to launch locally produced Budweiser in that country in 1995. China is currently the second-largest beer market in the world with double-digit growth rates. In addition, a Hong Kong office has been established to manage future growth opportunities in China and the Far East.
- Budweiser continued to experience impressive growth in the United Kingdom and Ireland in 1994, with volume now totalling more than one million barrels.
- And our joint venture in Japan with Kirin is beginning to show signs of success after a difficult start-up year.

Finally, I want to note that the company's initial investment in Grupo Modelo was structured so that our return is largely protected against devaluation of the Mexican peso.

Packaging

Metal Container Corporation (MCC) is an important support subsidiary for our beer company, providing it with high-quality, cost-competitive cans and lids. MCC cus-

tomers also include companies in the soft drink industry, and the company is achieving good financial returns from this segment of its business.

MCC improved its 1994 financial performance due to higher productivity, continuing cost reductions and volume increases. The company must continue to manage costs, especially the cost of aluminum can sheet, in order to increase future profits. Although aluminum can sheet prices are rising, we have protected pricing on more than half of our 1995 requirements at levels below the current market price. This should provide Anheuser-Busch with a competitive cost advantage and pricing flexibility during the year.

Food Products

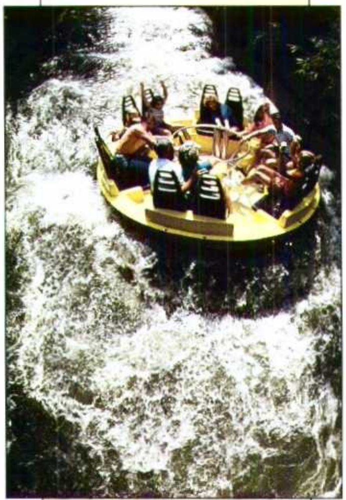
Campbell Taggart's performance in 1994 was disappointing. Profits fell nearly 50% from 1993 levels, with underperformance primarily concentrated in domestic baking operations and international baking operations. A number of factors were responsible for the lower earnings level, including:

- Erosion of profit margins due to the limited ability to offset higher ingredient costs with higher prices;
- Lower profits from international operations due to a weak Spanish economy and unfavorable exchange rates; and
- Lower bakery efficiencies than expected.

A series of management and organizational changes have been made at Campbell Taggart to address the production efficiency issues, and steps are being taken to improve the cost structure at the bakeries.

Merico, our refrigerated dough operation, posted its eighth year of increasing profits.

Eagle Snacks, our snack food subsidiary, continued to grow in 1994 and is now number two in market share in the U.S. salted snack industry. In 1995 we plan to solidify this position through additional volume growth, manufacturing and distribution efficiencies, and image-building investments.



In a mixed year for the theme park industry, Busch Entertainment performed well, posting record attendance, revenues and profits for the third consecutive year.

Entertainment

Our profitable entertainment subsidiaries provide quality experiences for more than 21 million visitors annually. In a mixed year for the theme park industry, Busch Entertainment turned in its best performance ever, posting record attendance, revenues and profits for the third consecutive year.

Busch Entertainment also supports the company's environmental position through its education, research and conservation programs.

Conclusion

As we move through 1995 and toward the 21st century, Anheuser-Busch brings many strengths to the marketplace. We have superior-quality products. We have dedicated, enthusiastic employees, including a seasoned senior management team coupled with a new generation of strategic managers who are taking on broad-based responsibilities. We have the best beer wholesalers in the business. We have integrated the CTE philosophy into our businesses, dramatically improving operations across our system. And we have a solid strategic planning process that allows us to identify and address opportunities today and for the future.

In addition to these strengths, we have one additional attribute that distinguishes us. Although we are a public company, our outlook has always been consistent with a trait most often found in family-owned operations—a long-term perspective. Our 130 years of continuity in leadership has given us the ability to look not just years, but decades ahead.

Given the fundamental strengths of our business, we are confident that 1995 and the years to come will provide significant growth and accomplishment for Anheuser-Busch.

August A. Busch III

August A. Busch III
Chairman of the Board and President
February 6, 1995


Budweiser
Anheuser
Brewing Ass'n
ANHEUSER-BUSCH
ORIGINAL BUDWEISER
BUDWEISER BEER
Budweiser LAGER BEER
Budweiser
Bud KING OF BEERS
Budweiser Lager
Budweiser Lager
Budweiser KING OF BEERS
Anheuser-Busch, Inc., St. Louis, Mo.

Brewing Operations

Brewing has always been and will always remain Anheuser-Busch's core business. The market leader in the U.S. since 1957, Anheuser-Busch, Inc. finished 1994 with a domestic market share of 45% (including imports and nonalcohol malt beverages) as estimated by The Beer Institute. In 1994, Anheuser-Busch sold a record 88.5 million barrels of beer, an increase of 1.4% compared to 1993 sales of 87.3 million barrels.

Since 1980, Anheuser-Busch has increased its market share lead over its nearest competitor from seven to 22 share points, and the company now has a larger market share than its next four competitors combined.

Building on its already strong leadership position in the brewing business, Anheuser-Busch has set aggressive goals, targeting a 50% domestic market share by the end of the decade. The company also plans to source significant growth from investments in international markets, establishing and maintaining a dominant leadership position in the international beer marketplace.

Domestic Operations

Industry conditions in the U.S. make the domestic part of this goal challenging but achievable. Dedicated employees, the strongest distribution system in the industry, a focus on customer satisfaction and an unwavering commitment to quality give the company a distinct competitive advantage and position it well to meet industry challenges.

State of the Industry

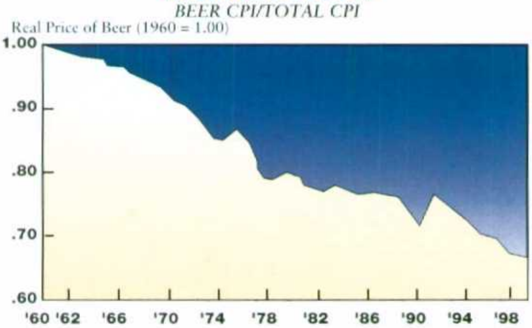
Declining per capita alcohol beverage consumption over the last decade is one of those challenges. However, it's important to note that while people are drinking fewer alcohol beverages, beer is the alcohol beverage they are more likely to drink.

Offsetting the decline in per capita consumption are population growth—which translates to more beer drinkers—and demographics. Baby boomers' offspring are beginning to reach legal drinking age, and there will be an increasing number of 21-year-olds entering the market after 1996.

Another challenge was the doubling of the federal excise tax in 1991, which resulted in a significant increase in beer prices. Consumers saw premium beers as less affordable and began to shop more and more on the basis of price. The result was intense price competition in the industry and trading down to lower-priced brands.

More recently, the price of beer has begun to return to a more favorable relationship relative to the Consumer Price Index. Today, consumers once again perceive beer to be a good value, which offers the industry excellent opportunities for growth and profitability.

Real Price of Beer
BEER CPI/TOTAL CPI

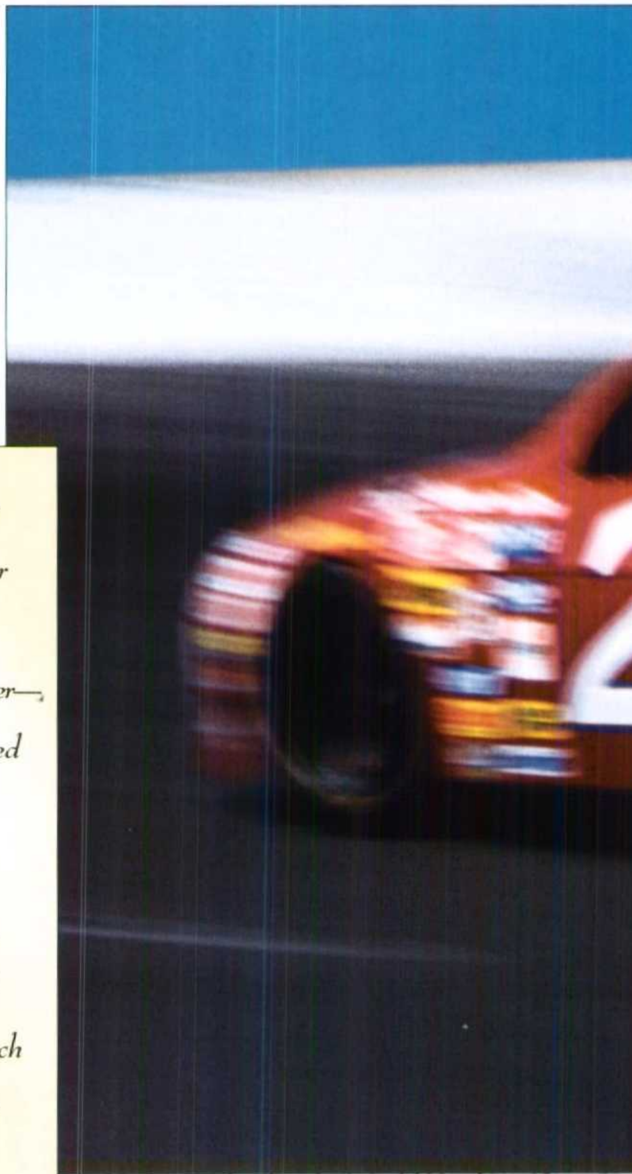


Finally, real wage earner disposable personal income is going up, which should have a positive impact on Anheuser-Busch's business and the economy in general. It's a simple fact that when people have more money, they tend to increase their consumption of premium brands. And premium brands are gaining market share.

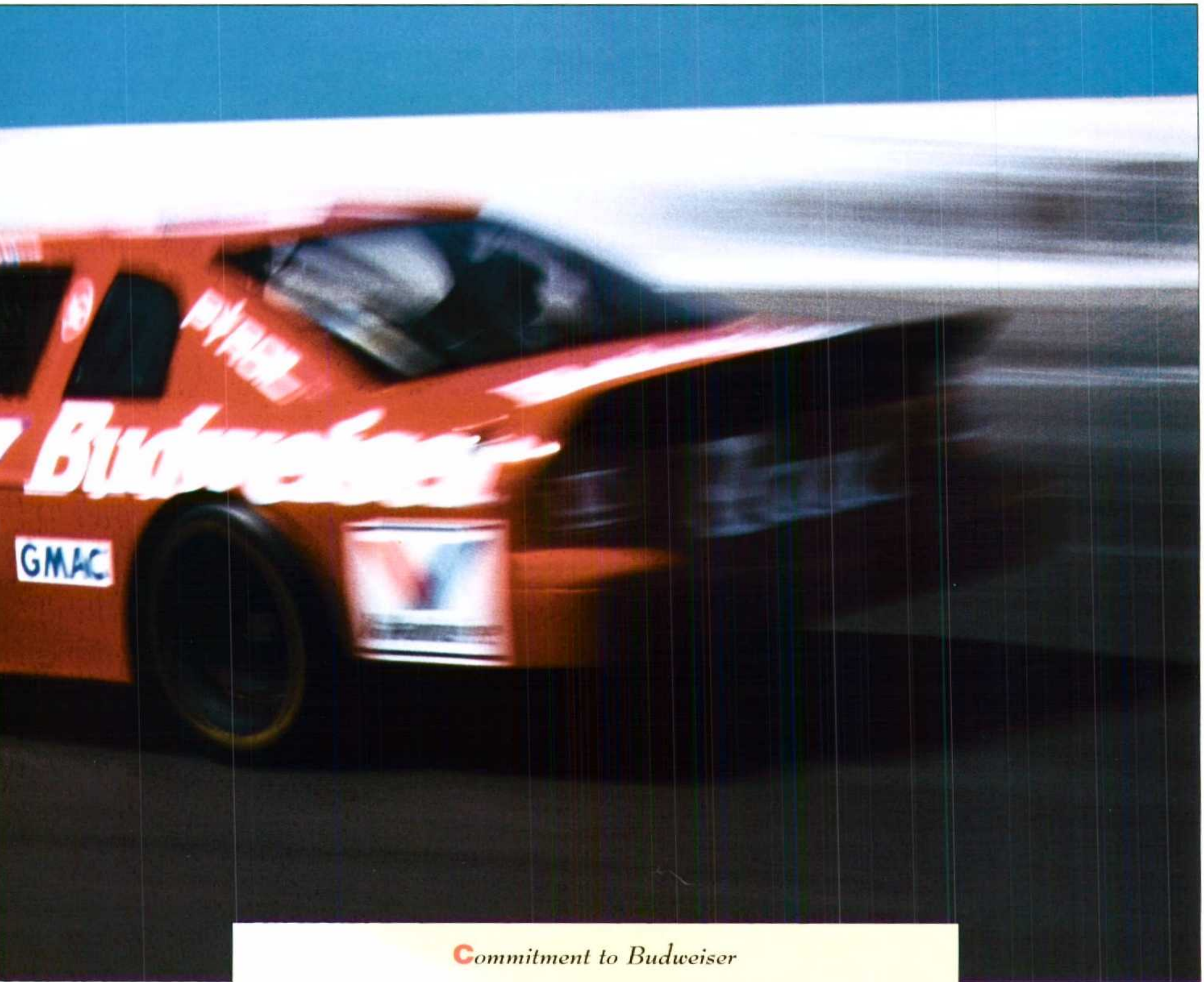
Given these factors, the industry should experience annual growth in the 1% range through the end of the decade. That means that by the year 2000, the industry should sell 211 million barrels of beer annually.

Anheuser-Busch took two steps in 1994 to encourage growth and increase profitability in this more favorable environment.

First, in the key California market frontline pricing was lowered, which reduced the need for price discounting. In other markets, prices were not increased but discounts were reduced. As a result, there was a decline in price promotion activity. This is good news



Many kinds of horsepower are used to promote Budweiser— from high-speed race cars to majestic Clydesdales, a symbol of Anheuser-Busch quality since 1933.



Commitment to Budweiser remains strong, as evidenced by the company's $300 million investment in marketing support in 1994.

because price promotion, when used to excess, can hurt the image and perceived value of a premium brand. Another positive result was a reduction in the price spread between premium and subpremium-priced brands.

These factors, combined with an improved economy in 1994, made it easier for consumers to buy premium products. Anheuser-Busch volume growth in 1994 shifted to the premium segment, reversing the trend of the last few years.

By the year 2000, the industry is projected to sell 211 million barrels of beer annually.

A second step taken by the company in 1994 was to accelerate new product introductions. Today's consumer is demanding increasing variety and choices. Brewers, along with other consumer goods companies, are responding to this customer need. In 1994, more than 60 new brands were introduced by the top six U.S. brewers alone. Anheuser-Busch captured approximately 40% of the new brand volume in 1994.

Beer Company Priorities

Given this backdrop, the company has established three priorities for the near term. They are:

1. Continued development and implementation of the Commitment to Excellence (CTE) philosophy;
2. Improving premium volume trends; and
3. Increased participation in the specialty beer segment.

Commitment to Excellence

The Commitment to Excellence philosophy is Anheuser-Busch's effort to incorporate the key total quality management principles of customer satisfaction, employee involvement and continuous process improvement into its culture.

Bottom line, CTE is designed to help the company operate more efficiently and better meet customer needs while maintaining its traditional high quality standards.

For Anheuser-Busch, part of the CTE effort involves $1.3 billion in capital investment between 1994 and 1998. Using the company's newest brewery in Cartersville, Ga., as a benchmark, the company is working to improve the productivity of its 12 other breweries through capital investment and process improvement. This effort is designed to help the company meet its goal of $300 million annually in process savings by 1998.

Focus on Premium Brands

Anheuser-Busch's second priority is to focus on its premium brands, particularly Budweiser and Bud Light—already the best-selling beer brands in the U.S., ranked number one and number two.

The company's flagship brand, Budweiser—which competes in the premium regular alcohol category—has had to contend with a shift to lower-price brands, as well as a trend to light and specialty beers. However, with the improved economy and the company's efforts to reduce the gap between premium and subpremium pricing in key markets, Budweiser's trend improved in 1994, with the brand stable or growing in markets accounting for 60% of its volume. The brand represents more than one of every five beers sold in the U.S.

Participation in the specialty beer segment is a priority for Anheuser-Busch. In 1994, the company participated fully in this segment, introducing a number of new products.

Commitment to Budweiser remained strong, as evidenced by the company's $300 million investment in marketing support in 1994. This support included continuing programs such as:

- The popular Bud Bowl promotion;
- Sponsorship of the Rolling Stones tour; and
- A significant presence on late-night TV, including David Letterman and Saturday Night Live.

In addition, Anheuser-Busch will be the exclusive beer sponsor for the 1996 Olympics, holds the major signage position in 70% of pro sports arenas, is the exclusive sponsor of major league baseball and the National Hockey League, and is a major sponsor of the National Football League and the National Basketball Association.

Bud Light reached a milestone this year when it became the number one light beer and the number two beer overall. (See feature story on page 17.) The light beer market remains strong and growing, with light beer volume up 4% in 1994. Light beers represent 36% of industry volume, up nine share points over the last five years. Bud Light has capitalized on this growth, growing at double-digit rates for the last several years. Collectively, Anheuser-Busch's light beer brands have a significant share lead over any competitive brewer.

Bud and Bud Light share many of the same promotional events, such as the Olympics, Bud Bowl and major sports sponsorships. In addition, Bud Light's unique programs include Bud Light Spotlight, which focuses on key volume markets and features real Bud Light drinkers in TV ads, and the popular Professional Beach Volleyball Tour.

The newest members of the Budweiser family, Bud Ice and Bud Ice Light, will replace Anheuser-Busch's Ice Draft brands in March. With innovative new packaging and an already familiar Bud Ice bar call, these

From big cities to small towns, Budweiser remains America's favorite beer, accounting for one of every five beers sold in the U.S.

brands are well positioned to lead the ice beer segment, which now accounts for 5% of industry sales.

In 1995 Anheuser-Busch will continue to focus on these brands and on efforts to improve premium volume trends in general.

Participation in Specialty Beer Segment

The company's third priority is increased participation in the specialty beer segment, a relatively new area for the company. Unlike national brands that are designed to appeal to a broad audience, specialty brands are created for narrower markets. As a result, marketing techniques that recognize the consumer profile of each segment within the distribution network are required. That means that a brand may only fit in 15% of accounts. But Anheuser-Busch's goal is to be in every one of those.

In 1995 Anheuser-Busch will continue to focus on improving premium volume trends.

In 1994, the company introduced a number of new products in the specialty beer segment, including Elk Mountain Amber Ale, Elk Mountain Red Lager, Elephant Red and Red Wolf. In addition, the company entered into a joint venture with the Redhook Ale Brewery, a Seattle-based micro-brewer. Anheuser-Busch will hold a minority stake in the company, with existing Redhook management retaining control of production and marketing. Anheuser-Busch will distribute Redhook products in 43 states through its wholesaler network.

In 1995, Anheuser-Busch will focus on increasing productivity and profitability through the CTE philosophy, growing its share of the premium segment and pursuing the potential offered by new brand introductions.

International Operations

While domestic beer remains Anheuser-Busch's main business, the international market is more than four times larger than the U.S. market. As a result, international expansion represents the company's best open-ended growth opportunity. In 1994, Anheuser-Busch's international sales topped 4.5 million barrels and the company remains the leading exporter of beer from the United States. Anheuser-Busch holds a 9% market share worldwide. For 1994, international sales volume was up 30%, with profits up approximately 50%.

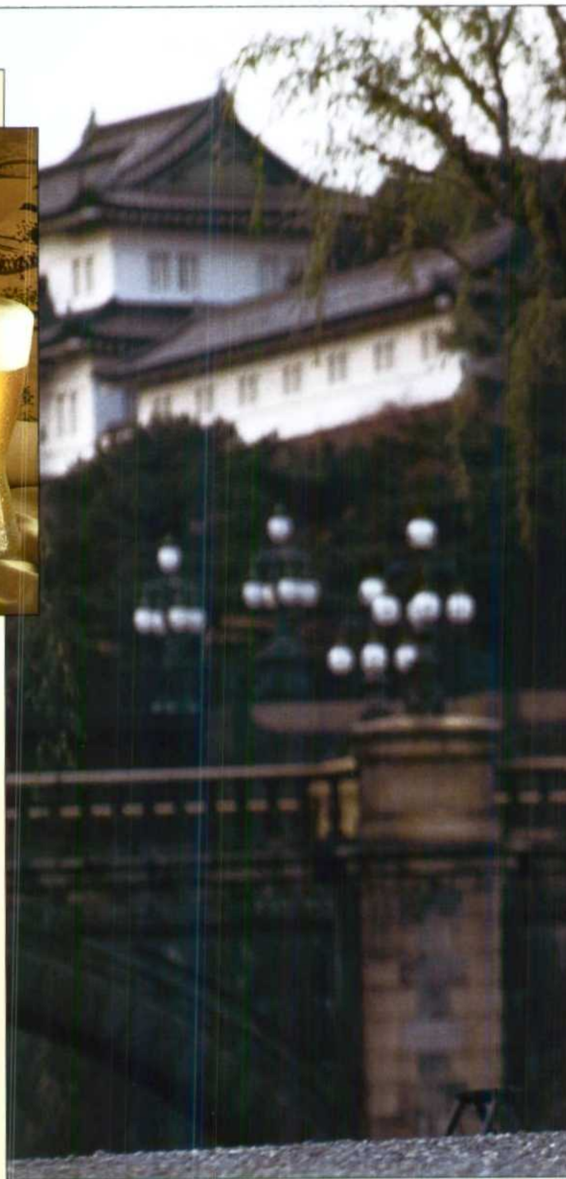
Anheuser-Busch International, the company's international brewing subsidiary, has two primary objectives—first, to build Budweiser into a leading international brand, and second, to build Anheuser-Busch's international business through equity investments in brewers that have leading brands in key countries where the beer industry has shown or is expected to show good growth.

Brand Development

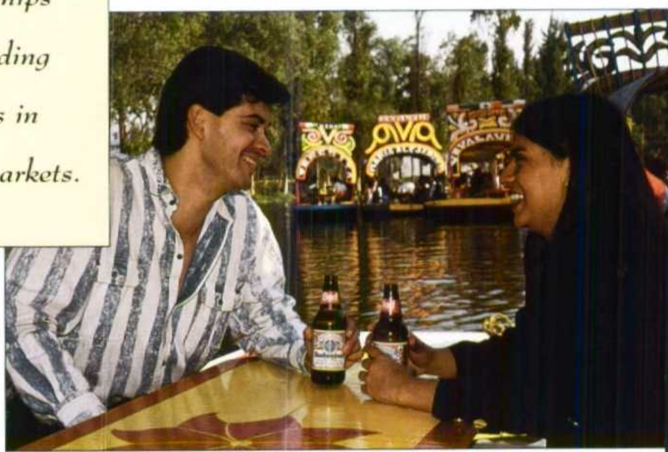
The priority regions for Budweiser brand development are Asia-Pacific, U.K./Ireland and the Americas.

In Japan, Budweiser Japan Company, Ltd.—the Anheuser-Busch/Kirin joint venture formed in 1993—became fully operational in 1994. Volume trends are improving, with sales up 6% in 1994. Budweiser is the country's leading international brand and holds a 1% share of the total Japanese beer market. Budweiser has established a solid foundation for reaching the company's goal of a 5% market share for the brand in Japan within the next 10 years.

Kirin Ice Beer, brewed by Anheuser-Busch in the United States under a contract-brewing agreement with Kirin, was also



The company's long-term objectives are to develop Budweiser into an international brand and to enter into business partnerships with leading brewers in growing markets.



successfully introduced in Japan, achieving a 1% share of market.

In the U.K. and Ireland, Anheuser-Busch continues to show excellent on- and off-premise growth. For the third consecutive year, volume was up more than 30% in the region.

In the U.K., Budweiser became the number one premium packaged lager in mid-1994, and this strong growth trend is continuing. In Ireland, where Budweiser is license-brewed by Guinness Ireland Limited, the brand has become the number two lager in the Irish beer market and number one in the key Dublin market.

Budweiser is Japan's leading international brand, with a 1% share of the total beer market.

In the Americas, Canada remains the largest Budweiser volume market outside the U.S. Budweiser gained share in 1994, showing 12% volume growth and achieving a more than 6% share of the Canadian beer market.

In Mexico, Budweiser and Bud Light dominate the import segment. In 1994, the brands showed strong retail sales growth, up 12%. Bud Ice recently became the first ice beer in the Mexican market. Anheuser-Busch's presence in Mexico is enhanced by its 1993 purchase of a 17.7% equity interest in Grupo Modelo, the country's largest brewer.

In 1994 Anheuser-Busch also significantly expanded its presence in Central America, signing agreements with the number one brewers in Costa Rica, El Salvador, Guatemala and Honduras to distribute and market Budweiser in those countries. These brewers have extensive national distribution networks and possess local market expertise that will allow them and Anheuser-Busch, working jointly, to develop Budweiser into the leading imported beer throughout the region.

While brand development efforts are focused on Japan, the U.K./Ireland and the Americas, Budweiser continues to perform well in many other markets such as Korea, Taiwan, Guam, Italy, France and Switzerland.

Business Development

Anheuser-Busch is also exploring partnership opportunities in the Far East, particularly China, which is currently an attractive area for investment. The Chinese beer market has grown at a 14% rate over the past five years, and market analysts predict a 10% annual growth rate for the foreseeable future. In addition, per capita beer consumption is currently only nine liters per year, compared with 90 liters per year in the U.S. With a population of 1.2 billion that is growing at a rate of more than 16 million people per year, China passed Germany as the world's second-largest beer market in 1994.

Anheuser-Busch's 5% equity position in China's largest brewer, Tsingtao, gives the company a stake in the leading Chinese beer brand and a strong alliance for future cooperative efforts.

In addition, in 1994 Anheuser-Busch signed an agreement to acquire an 80% ownership interest in the Zhongde Brewery, a Chinese-German joint venture in the city of Wuhan, China's fifth-largest city. Wuhan's location in central China and its position as a major port on the Yangtze River offer a strategic advantage. This agreement would give Anheuser-Busch a second stake in the fast-growing Chinese beer market and its first majority interest in an offshore brewery.

Anheuser-Busch International Relationship Summary

Country	Relationship	Company	A-B Ownership
Canada	License Brewing	Labatt	0%
China	Equity Investment	Tsingtao	5%
China	Joint Venture	Zhongde	80%
India	Contract Brewing	Shaw Wallace	0%
Ireland	License Brewing	Guinness	0%
Italy	Contract Brewing	Peroni	0%
Japan	Joint Venture/Kirin	Budweiser Japan	90%
Korea	License Brewing	Oriental Brewing	0%
Mexico	Equity Investment	Modelo	18%
Spain	Contract Brewing	Damm	0%
U.K.	Contract Brewing	Courage	0%

The Zhongde Brewery, which began operations in 1988 as the first brewing joint venture in the People's Republic of China, now ranks among the leading brewers in China, with five to six million cases annual production of its Steinbrau brand. The new joint venture would continue brewing and distributing the Steinbrau brand. The brewery would also be modified to allow for production of Budweiser, primarily for distribution in China. As sales of Steinbrau and Budweiser increase, the brewery's capacity could be expanded.

Subsequent to completion of the purchase, the company's primary goal will be to establish Budweiser as a major brand in the premium segment of the Chinese beer market over the next 10 years.

South America is an especially promising region for both Budweiser brand development and equity agreements. Future brand development will be enhanced through equity investments and local production.

Budweiser has significantly expanded its worldwide presence in the last few years.

This region's high acceptance of U.S. beer brands, combined with profitable and fast-growing beer markets and the limited presence of foreign brewers, makes "southern cone" countries such as Brazil Anheuser-Busch's top priority on this continent.

In early 1995, Anheuser-Busch announced that discussions with Shaw Wallace and Company Limited, the third-largest brewer in India, have led to an agreement to explore the formation of a partnership, giving the Indian brewer rights to license brew, package, market and distribute Budweiser throughout India. The Indian beer industry is growing at a rate of approximately 17% annually, fueled by a growing population, increasing disposable income and a growing economy. The partnership would position Anheuser-Busch beers as the exclusive foreign beers brewed and distributed by Shaw Wallace.

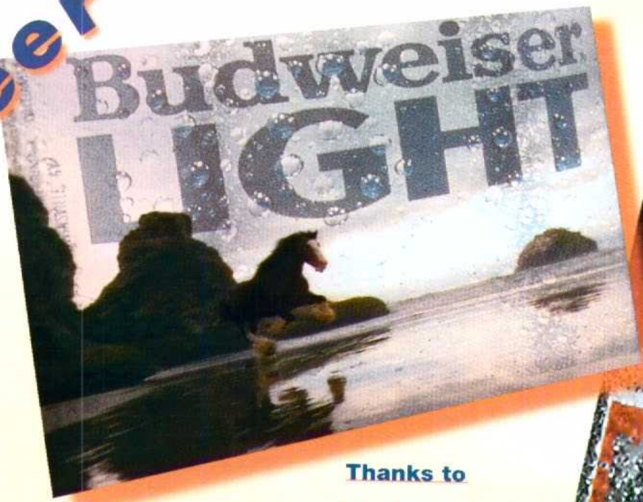
Also in early 1995, Anheuser-Busch announced that it has formed a partnership with one of the largest brewers in Spain, Sociedad Anonima Damm, which calls for the Spanish brewer to brew and package under contract Anheuser-Busch's Bud brand. The new partnership will give broader support to the Bud brand in the Spanish market, where it achieved a sales volume increase over 1993.

Finally, in September 1994, the company announced that its discussions about a proposed minority equity investment in Budejovicky Budvar in the Czech Republic would be suspended. Instead, Anheuser-Busch will focus on negotiating a separate stand-alone trademark agreement with Budvar. In the meantime, in the areas of continental Europe where a trademark dispute exists, the company will continue to market Budweiser under the name Bud, as it has done successfully for a number of years.

With beer sales in more than 65 countries, Anheuser-Busch accounts for about 45% of all beer exports.

Bring Out Your Best:
The Bud Light Story

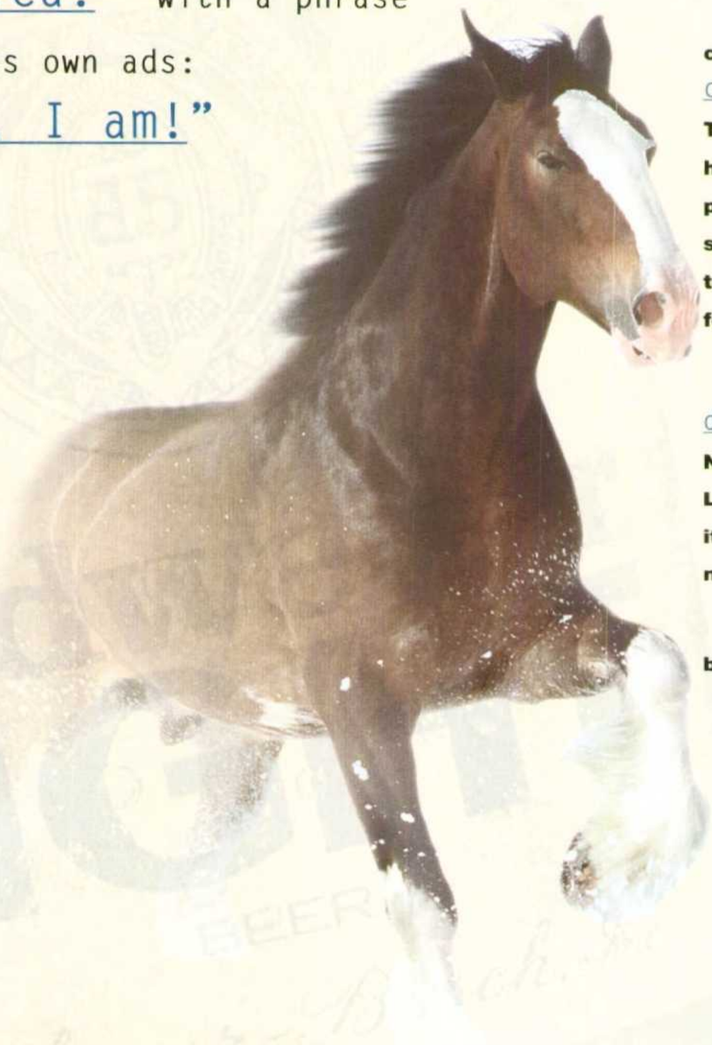
Light Beer



Thanks to hard work, perseverance and creative marketing, BUD LIGHT now leads the light beer pack.

Yes, I am!

From the house next door to the White House itself, those three words bring an instant association for most Americans: Bud Light. And the introduction of TV spots featuring this punch line couldn't be better timed. Because in 1994, the brand reached a memorable milestone. For the first time, Bud Light could answer the question, "Are you the number one light beer in America?" with a phrase from its own ads: "Yes, I am!"



When Bud Light became America's premier light beer in 1994, it also became the number two beer overall. The result? Anheuser-Busch now owns the top two slots in the American beer industry.

To understand the significance of this accomplishment, it's necessary to go back to the beginning, when there was just beer. Not "ice" or "dry" or "nonalcohol," but the good old basic brew.

Then, in the mid-70s, **things suddenly changed.** A new breed of beer, called light, entered the scene. **This wasn't the same as the "diet" beers that had appeared briefly—and quickly disappeared—a few years before. No, this was something new entirely. Positioned to appeal to an active, modern lifestyle, light beer found a receptive consumer.**

In 1977, Anheuser-Busch introduced its first light beer, **Natural Light, followed in 1978 by Michelob Light. While these products performed well, it was clear that a blockbuster brand was needed.**

Anheuser-Busch already had one such brand in Budweiser.

Introduced in 1876, Bud was the King of Beers—the best-selling brand in the world, outselling its nearest competitor by a wide margin.

So why not use a blockbuster to create another blockbuster? Extensive research indicated that Anheuser-Busch's biggest weapon in the light beer battle would, indeed, be a low-calorie extension of Budweiser—one of the most recognizable trademarks in the world.

So in 1982 Budweiser Light was born.

As an extension of both the name and quality heritage of its namesake, Budweiser Light represented Anheuser-Busch's most important new product introduction of the decade. The company's objective with the brand was to convert existing light beer drinkers to Budweiser Light, at the same time minimizing cannibalization of the King of Beers, Budweiser. The latter half of this objective was particularly challenging, requiring the company to methodically set and follow a carefully calculated, well-paced course of action that would build a major new brand, Bud Light, without seriously impacting its premier brand, Budweiser.

Marketing played a key role in this plan. Bud Light's first ad campaign, with its memorable "Bring Out Your Best" theme, focused first on the Clydesdales and then on athletics.

This introductory campaign was a hit. In 1983, Budweiser Light's first full year as a national brand, the Budweiser offspring racked up more sales than its rival, Miller Lite, did in its first three years.

Budweiser Light captured more than 15% of the light beer market and vaulted to the number three position in its segment.

At the same time, Anheuser-Busch was considering feedback from wholesalers, retailers and consumers that indicated the Budweiser Light name was too long. Consumers were shortening the bar call to Bud Light, and so in 1984, that became the official name of the brand.

A bigger issue, however, was the bar call itself. When consumers ordered a Bud Light, they often just asked for a "light" and bartenders served them whatever light beer the bar carried. "Light"—however spelled—had become a generic beer type.

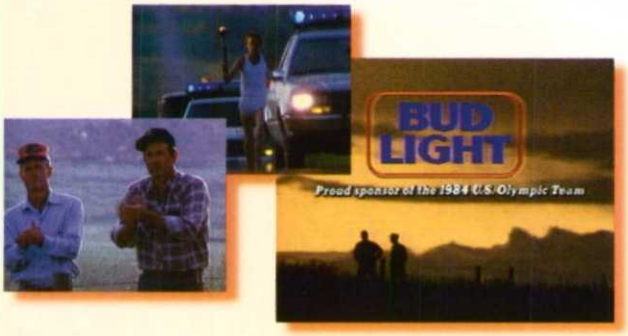
Anheuser-Busch's objective was clear—find a way to convince consumers to order Bud Light by name. So in 1984, the "Gimme a Light" campaign was introduced.

These distinctive, humorous TV spots created immediate positive consumer reaction with a simple structure: People walked up to a bar, asked for a "light" and received just that—a light—in a variety of shapes and sizes, including torches and chandeliers. The message to consumers was clear—ask for Bud Light by name. And the message was heard. Consumer research showed a dramatic increase in advertising awareness, and strong sales trends emerged.

"Bring Out Your Best"

"Gimme a Light"

Besides this successful advertising campaign and a new name in 1984, Bud Light gained a permanent spot in consumers' minds—and hearts—with its "Heartland" commercial for the Los Angeles Summer Olympic Games. In this spot, two farmers stop their work to watch the Olympic torch carrier run by their fields in the early morning hours. This commercial received artistic as well as consumer recognition when it was inducted into the Advertising Hall of Fame as a television classic.



In 1984, Bud Light's sales grew 14%, and by 1985, the brand had become the fastest-growing U.S. beer, recording a 30% sales increase.

To attract the important contemporary adult consumer, in 1986 Bud Light brought in a new player known for his smooth style, sharp wit, charm and sophistication—none other than Spuds MacKenzie.

Spuds helped the brand grow 22% in 1986 and 20% in 1987.

The "Gimme a Light" spots continued, but by 1989 they took an interesting new twist. They moved out of the bar and into unexpected settings. The most famous of these was the caveman commercial, in which a Neanderthal man endures floods, wild animals and a variety of other dangers to bring fire to his chief, only to discover that the "light" his chief wanted was a Bud Light.

By the end of 1989, Bud Light had become the third-largest-selling beer in the country across all categories, and only the seventh brand ever to reach 10 million barrels in annual sales.

Today's campaigns continue the lighthearted touch that has become a hallmark of Bud Light. The current "Make it a Bud Light" campaign features people who will go to great lengths for the great taste of Bud Light.

BUD LIGHT is an extension of both the name and quality heritage of its namesake, Budweiser.

In addition, a couple of long-running campaigns continue to generate interest in the brand. The annual Bud Bowl, **for example,** has dominated the January sales period for the past five years. **The "Spotlight" campaign, where a production crew films "real" people with Bud Light in everyday settings, is also popular and is now used in 20 major U.S. markets.**

And of course we can't forget the famous "Limo" spot, which introduced the popular punch line, "Yes I am!" This commercial, which features a man arriving at an airport and searching for a limo driver who stocks Bud Light, has made quite an impact. It was not only written up in USA Today, but CBS did a parody of it to promote the NCAA Final Four. President Clinton even used the phrase in a promotional spot for the tournament.

In 1994, Bud Light passed its arch rival, Miller Lite, staking its claim as America's favorite light beer.

Bud Light finished the year with an 8.2% market share overall and a 22.8% share of the light beer category.

The secret of the brand's success? Quality brewing, marketing savvy and just plain hard work.

To put it simply, Bud Light brought out its best. And the rest is history.


BUSCH GARDENS®
TAMPA BAY, FLORIDA

Entertainment Operations

"Making Friends is our Business." It's been the Anheuser-Busch slogan for decades, and it has special significance for the entertainment segment of the company, which includes Busch Entertainment Corporation, Busch Properties and the St. Louis National Baseball Club, better known as the St. Louis Cardinals.

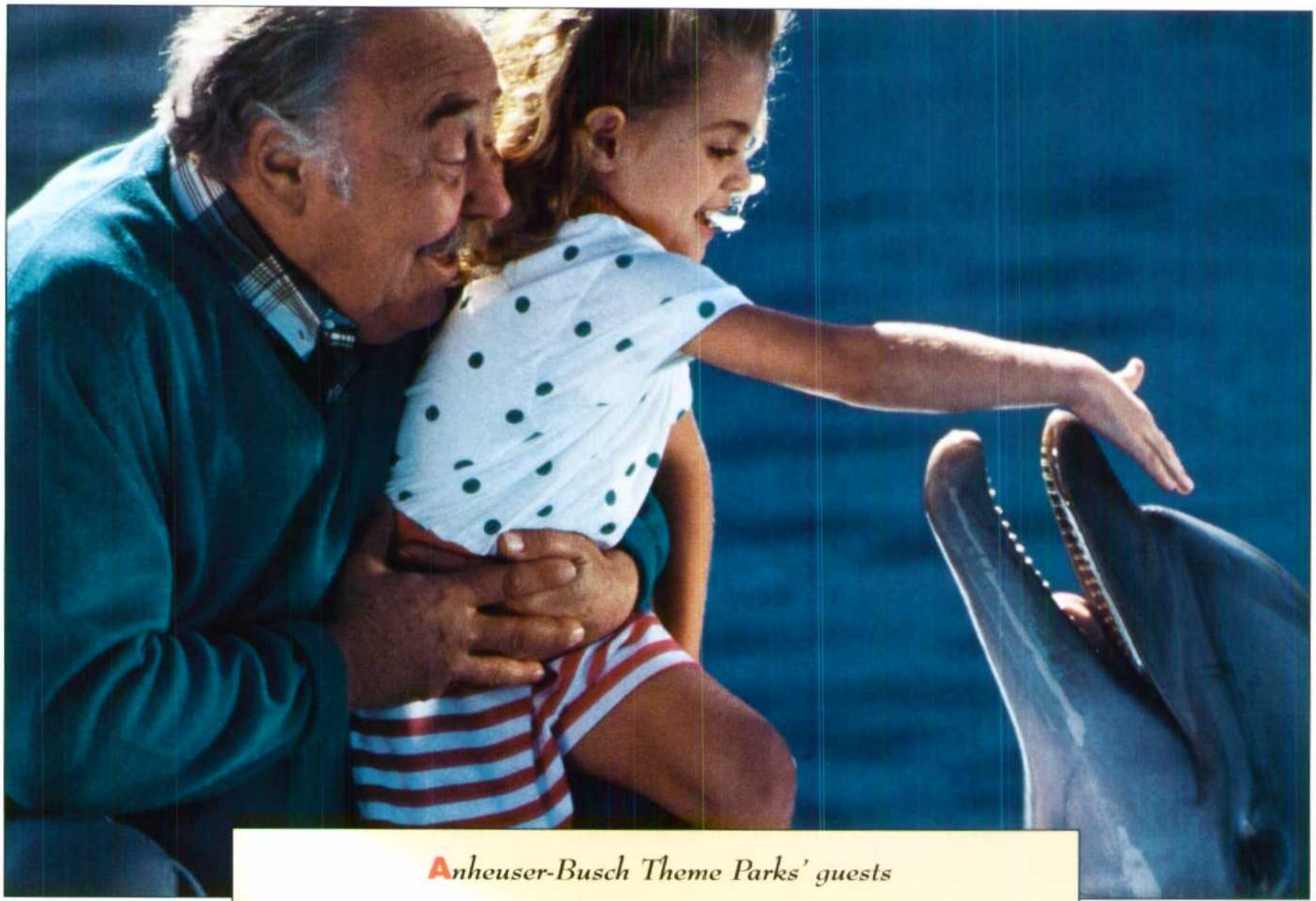
In a mixed year for the theme park industry, 1994 was Busch Entertainment's best year ever, with the company posting record attendance, revenues and profits for the third consecutive year.

Busch Entertainment played host to more than 20 million visitors at its 10 parks during the year. Strong marketing programs, popular new attractions and favorable economic conditions contributed to its record financial performance.

Unlike many of its competitors—which are owned by motion picture companies and employ movie/fantasy themes—the Anheuser-Busch Theme Parks continue to emphasize natural, more realistic themes. Guests at the parks experience a wide variety of entertaining and educational attractions, which include personal contact with animals. These experiences, in addition to carefully developed education and conservation programs, create lasting memories.

In keeping with Anheuser-Busch's commitment to environmental excellence, Busch Entertainment is dedicated to conservation and the preservation of wildlife.

This philosophy is an integral part of daily operations, ranging from recycling and water-saving measures to animal rescue, research and education programs. Last year, both of the Busch Gardens parks continued their work with injured bald eagles in partnership with the World Bird Sanctuary. Sea World continued to rescue, rehabilitate and release hundreds of sick, orphaned, injured and stranded marine animals, including a pod of killer whales stranded at low tide in Alaska.



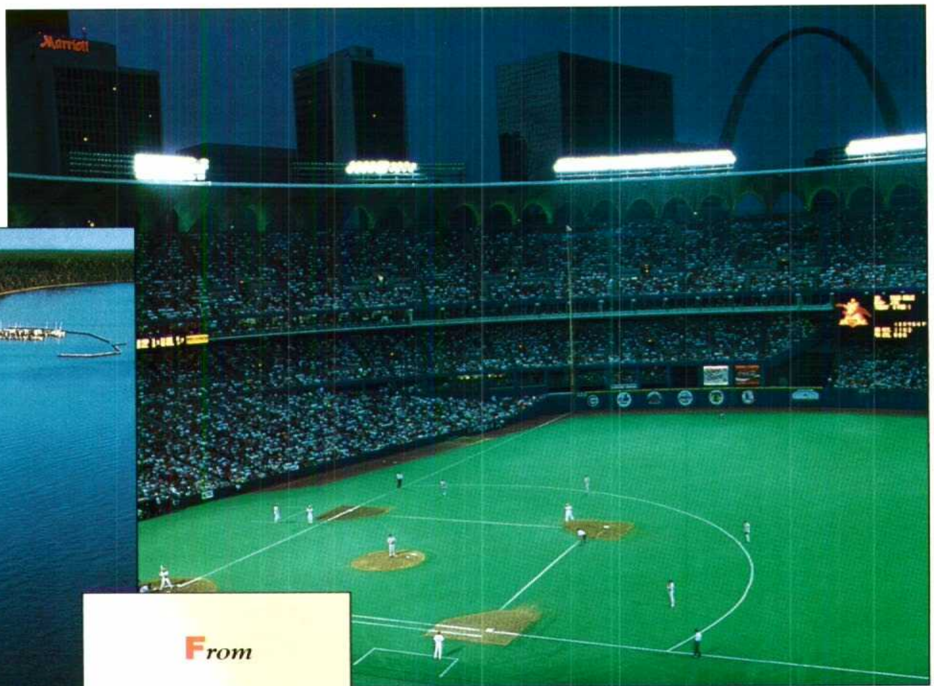
Anheuser-Busch Theme Parks' guests enjoy entertaining attractions, personal contact with animals and education and conservation programs.

In 1995, in addition to expanding its comprehensive education and conservation programs, Busch Entertainment will strive to increase attendance and profit by continuing to implement innovative marketing programs and by adding new attractions at many of its parks.

Busch Entertainment is dedicated to conservation and the preservation of wildlife.

Sea World of Florida will debut Wild Arctic, the most ambitious project ever undertaken at any Anheuser-Busch Theme Park. The attraction combines a simulated flight over the frozen North and real-life encounters with the animals that live there, including polar bears, walruses, harbor seals and beluga whales.

Busch Gardens Williamsburg will open Escape from Pompeii, a water adventure that will take guests inside temple ruins where they will experience an earthquake, fire and other pyrotechnic special effects just prior to a 50-foot plunge into a lake below.



From resort facilities to baseball, Anheuser-Busch seeks to create high-quality experiences that add enjoyment to life.

Sea World of Ohio will join its sister park in California in opening its own naturalistic dolphin habitat, Dolphin Cove, where guests can interact with these fascinating animals.

Sea World of Texas, Adventure Island, Water Country and Sesame Place will all debut major water rides, and Sea World of California will open Shamu's Happy Harbor, an adventure land with a wide variety of interactive water and play elements for children. Busch Gardens Tampa will debut its own storybook adventure land for children, Land of the Dragons.

In other entertainment ventures, 1994 was a disappointing year for fans of the **St. Louis Cardinals.** The team was eight games below .500 on August 12, when a players' strike forced the cancellation of the remainder of the season. At issue was a proposed revision of the major-league player compensation system, which is necessary for long-term financial stability and competitive balance.

Busch Properties, Inc., the company's real estate development subsidiary, continues to develop Kingsmill on the James, a residential resort community and business conference center in Williamsburg, Va. In addition, Busch Properties is developing three corporate centers in Columbus Ohio, Williamsburg, Va., and Fairfield, Calif.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1996 U.S. OLYMPIC TEAM
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Colonial
IronKids
SANDWICH
MERICO
8 SUPER SIZE
JumboS
ARTIFICIALLY FLAVORED
BUTTER FLAVORED
BISCUITS
MERICO
8 SUPER SIZE
JumboS
BUTTERMILK
BISCUITS

Food Products Operations

Anheuser-Busch's food products operations provide a variety of high-quality bread and snack products to both U.S. and international consumers.

Campbell Taggart, Inc., the company's baked-goods subsidiary, has three operating divisions: U.S. Bakery Operations, Merico (refrigerated dough and salad dressing) and International Operations (baking and refrigerated dough).

These segments experienced varying degrees of success in the past year.

U.S. Bakery Operations significantly underperformed expectations in 1994. The decline in earnings was due to increased manufacturing costs and a competitive industry pricing environment in the form of heavy discounting of premium brands, which made it difficult to pass on cost increases.

Given this difficult environment, the company took strong steps to meet industry challenges, including senior management changes, realignment of the field organization, consolidation of facilities, relocation of the corporate headquarters to St. Louis from Dallas, and the implementation of a new strategy. This strategy is centered around the company's mission statement, which focuses on four basic tenets:

- Grow branded volume by focusing on improving customer satisfaction;
- Increase market share through targeted marketing and innovative product introductions;
- Improve product and service quality through further rollout of Total Quality Commitment;
- Enhance employee satisfaction and contributions through training and empowerment.

In the last half of the year, U.S. Bakery Operations showed improving trends as cost improvement measures began to take effect. In addition, the pricing environment began to improve.

Campbell Taggart also took dramatic action to improve its competitiveness in key markets by focusing on investments in strong markets and withdrawing from weak markets. To that end, the company has announced it will withdraw from some low-volume territories, closing selective plants and sales depots. At the same time, significant investments are planned for Arizona and California. With this strategy, Campbell Taggart is poised for a significant rebound in profitability.

Merico, the refrigerated products operation, had another record year (its eighth in a row). Merico's main business, refrigerated dough, enjoyed a successful year as consumers continued to trade up from basic biscuits to higher-margin dough products.

Campbell Taggart's successful strategy for this business remains largely unchanged: focus on new products in specialty areas, such as pie crusts and toaster pastries, and improve margins through quality-driven cost reductions.

International Operations

International Operations had a difficult year in both the Spanish bakery operations and refrigerated dough segments.

Campbell Taggart's principal Spanish baking subsidiary, Bimbo, experienced a modest increase in volume, flat sales and decreased operating profits in 1994, due largely to the weak Spanish economy and intensified competitive pricing. Bimbo is focusing on reengineering its sales and distribution operations and expanding sales into new markets.

The other Spanish operation in the Canary Islands improved its sales and profit performance in 1994. In addition, the Portuguese market has been entered successfully.

Europate, Campbell Taggart's European refrigerated dough supplier, experienced a decline in profitability. The decline is mainly attributable to the decrease in volume by its largest customer and increases in packaging costs. Europate is expecting margin improvement from a recovery in sales and a reduction in manufacturing costs, primarily from automation of packing operations.

In the last half of the year, U.S. Bakery Operations showed improving trends as cost improvement measures began to take effect. In addition, the pricing environment began to improve.

Eagle Snacks, Inc., Anheuser-Busch's snack food subsidiary, continued to make progress in the competitive but consolidating salted-snack food category in 1994, with volume growth approaching the double-digit range.

Eagle Snacks continued to perform well in all market categories in which it competes and has achieved the number two share position, as measured by Nielsen, for branded products in the potato, tortilla and nut product groupings. The company also continued its strong performance in the growing pretzel category, nearly doubling its share and achieving the number four position in this segment.

The company's volume growth resulted in significant financial progress. In addition, Eagle Snacks continues to make investments in plants and equipment to accommodate current and future consumer demand for its increasingly popular products.

Eagle Snacks continued to make progress in the salted-snack food category, with volume growth approaching the double-digit range.

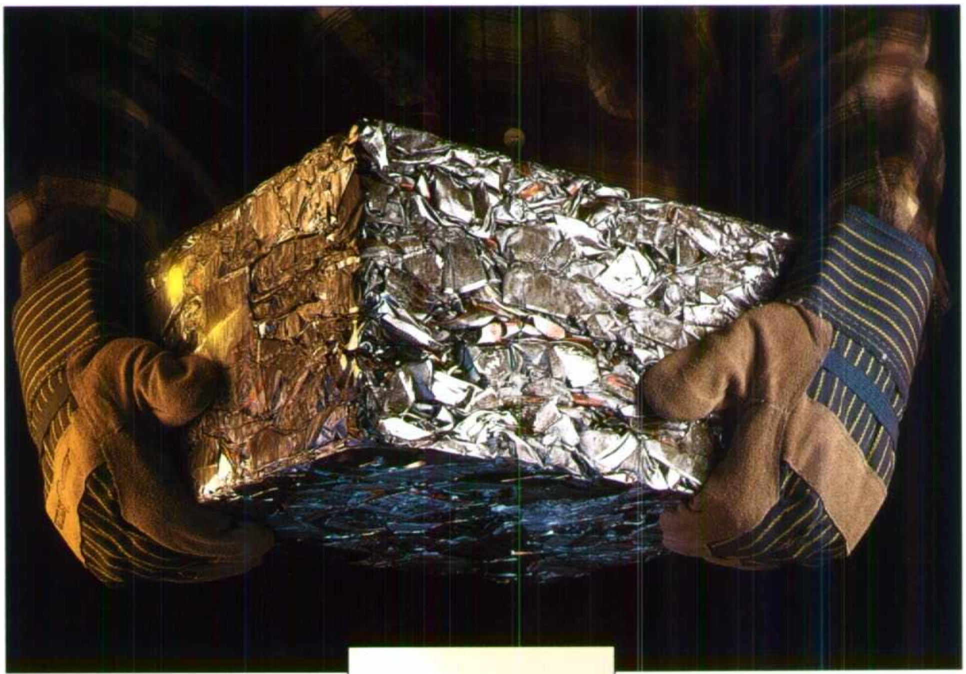
Packaging Operations Anheuser-Busch's packaging operations support company objectives by providing high-quality, low-cost cans, lids and labels for use in the beer packaging process; providing packaging to customers in the soft drink industry; providing printed boxes to the food industry; and promoting the recycling of aluminum cans, glass and corrugated materials.

1994 was a successful year for the packaging group. Financial performance improved due to increased values for can manufacturing scrap and used beverage containers; increased can volume in soft drinks, driven by the introduction of larger, more convenient secondary packages; and growth in the "new-age" beverage market, such as packaged iced teas, which increased demand for cans, lids and labels.

Metal Container Corporation (MCC), the third-largest U.S. aluminum beverage container manufacturer, supports the beer company's operations through leadership in can and lid lightweighting and productivity improvement. In 1994, MCC produced nearly 19 billion cans and 20 billion lids. In addition to supplying more than 50% of Anheuser-Busch's can and lid requirements, MCC is a significant supplier to the U.S. soft drink container market.

In 1994, MCC had a successful start-up of a new, technologically advanced can plant in Rome, Ga. This plant was constructed and brought on line ahead of schedule to support Anheuser-Busch's newest brewery in Cartersville, Ga. A new can plant in Mira Loma, Calif., which will replace the Carson, Calif. plant, is under construction and scheduled for start-up in early 1995. This plant will allow MCC to expand service to the Van Nuys brewery and the soft drink industry on the West Coast.

MCC began using Total Quality Commitment principles as a major thrust in managing the can business in 1989. Each year employees have increased their level of training and, as a result, their positive impact on quality and cost. MCC is committed to these quality principles with the mission of being the highest-quality, lowest-cost supplier through continuous improvement of customer satisfaction, product quality, operational efficiencies and costs, and employee satisfaction.



Relationships with several major soft drink bottlers provide further opportunities to improve quality and reduce costs through partnering. The company also will continue to increase the export of cans and lids internationally to support the efforts of Anheuser-Busch International.

In mid-1994, the aluminum can sheet producers announced a significant change in pricing structure. As one of the largest buyers of aluminum can sheet, Anheuser-Busch has been actively studying the aluminum sheet market for more than 10 years. This focus and the company's metal purchasing volume have positioned Anheuser-Busch to effectively manage this change.

Anheuser-Busch Recycling Corporation (ABRC) supports the company's beer operations by providing a positive alternative to mandatory deposits and by helping to reduce container costs. Through aggressive and innovative marketing and promotion of the many benefits of voluntary recycling, this subsidiary continued to be the world's largest recycler of used aluminum beverage containers. In 1994, ABRC recycled more than 635 million pounds of aluminum—the equivalent of more than 100% of the beer cans sold by Anheuser-Busch.

As the world's largest recycler of used aluminum beverage containers, Anheuser-Busch Recycling recycled more than 635 million pounds of aluminum in 1994—the equivalent of more than 100% of the beer cans sold by Anheuser-Busch.

Rising aluminum prices have a positive impact on volume in the aluminum recycling industry. As the price of aluminum goes up, so does the payout to recyclers, increasing overall interest in recycling.

ABRC is also involved in glass recycling through its plant in Bridgeport, N.J., where it crushes glass into cullet for resale to glass manufacturers. Anheuser-Busch is working with its major suppliers to encourage the maximum use of cullet in the production of glass bottles.

Management's Discussion and Analysis of Operations and Financial Condition

Introduction

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity/cash flows of Anheuser-Busch Companies, Inc. during the three-year period ended December 31, 1994. This discussion should be read in conjunction with the Letter to Shareholders, Consolidated Financial Statements and Financial Statement Notes included in this annual report.

Financial results (operating income, pretax income, net income and earnings per share) for 1993 and 1992 were impacted by certain nonrecurring special charges and accounting changes. These items are summarized below:

1993 Nonrecurring Special Charges

Financial results for 1993 were affected by two nonrecurring special charges as follows:

1. The company's Profitability Enhancement Program, which included significant operational and organizational changes, resulted in a one-time, pretax restructuring charge of $565 million, or $1.26 per share.

   This Program included the following elements:
   - An enhanced retirement program for salaried employees ($142 million);
   - The write-down of underperforming assets included in the entertainment segment ($114 million) and food products segment ($31 million); and
   - The restructuring and reorganization of the company ($278 million).

   As anticipated, the Program generated approximately $100 million of cost savings in 1994. In conjunction with Program-related capital expenditures of approximately $1.3 billion during 1994-1998, the Program is expected to generate additional cost savings accumulating to approximately $300 million a year by 1998.

   Further information concerning the details of the Profitability Enhancement Program and related restructuring charge, including a reconciliation of the restructuring accrual for 1994, is included in Note 2 to the Consolidated Financial Statements.

2. The Revenue Reconciliation Act of 1993, which increased the federal income tax rate by one percentage point to 35% from 34%, resulted in a $33 million, or $.12 per share, one-time increase in the company's deferred tax liability. This charge was determined in accordance with Financial Accounting Standard 109 (FAS 109), "Accounting for Income Taxes."

These two 1993 special charges make it difficult to directly compare full-year 1994 and 1993 financial results. Accordingly, key financial comparisons are presented on both a "normal operations" basis (excluding the special charges) and an "as reported" basis (including the special charges) in order to facilitate a full understanding of company results.

Contents

1992 Nonrecurring Special Charges (Accounting Changes)

Net income and earnings per share for 1992 were impacted by the adoption of two new accounting principles. Effective January 1, 1992, as discussed in Note 3 to the Consolidated Financial Statements, the company adopted the financial accounting standards for postretirement benefits (FAS 106) and income taxes (FAS 109). The company elected to immediately recognize the cumulative effect of adoption of FAS 106 and FAS 109 pertaining to years prior to 1992 through a one-time cumulative effect adjustment, which decreased 1992 net income and earnings per share by $76.7 million and $.26, respectively. These amounts are separately identified in the company's consolidated income statement.

Implementation of FAS 106 in 1992 was based on benefit levels in effect at the time of adoption. Certain changes to these benefit levels were implemented in 1993 and 1994, thereby reducing the FAS 106 pretax expense amount in these years. Further information concerning FAS 106 is included in Note 10 to the Consolidated Financial Statements.

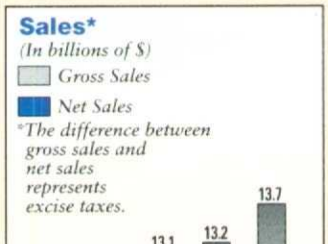
Anheuser-Busch Companies, Inc. achieved record gross sales during 1994 of $13.73 billion, an increase of 4.2% over 1993.

Operations

Sales

Anheuser-Busch Companies, Inc. achieved record gross sales during 1994 of $13.73 billion, an increase of $548.4 million or 4.2% over 1993 gross sales of $13.19 billion. Gross sales for 1993 were .9% higher than 1992. Gross sales for 1992 were $13.06 billion, an increase of 3.4% over 1991. Gross sales include $1.68 billion, $1.68 billion and $1.67 billion, respectively, in federal and state beer excise taxes for 1994, 1993 and 1992.

Net sales for 1994 were also a record $12.1 billion, an increase of $548.5 million or 4.8% over 1993 net sales of $11.5 billion. Net sales for 1993 were 1.0% higher than 1992. Net sales during 1992 were $11.4 billion, an increase of 3.6% over 1991.



The increases in gross and net sales in 1994 as compared to 1993 were driven primarily by higher domestic and international beer sales and reflect beer volume growth for established premium brands, new brand introductions and exports.

Anheuser-Busch, Inc., the company's brewing subsidiary and largest contributor to consolidated sales, reported record 1994 sales of 88.5 million barrels, an increase of 1.2 million barrels, or 1.4% over the 87.3 million barrels sold during 1993. Sales-to-retailers, considered a more accurate measure of underlying consumer demand, increased 2.8% in 1994 as compared to 1993.

The difference between growth rates in reported sales volume versus sales-to-retailers is primarily due to the company's planned reduction in year-end 1994 wholesaler inventories. In 1993, the company built year-end beer inventories in anticipation of national labor negotiations, which were successfully concluded in 1994. In addition to lowering Anheuser-Busch sales volume growth, the planned inventory reduction also affected the calculations for industry growth and market share.

Anheuser-Busch beer sales for 1994 include 370,000 barrels related to a previously announced contract-brewing arrangement for the production of Kirin Ice for sale by the Kirin Brewery in Japan.

The Budweiser family of premium beers was a significant contributor to the increase in sales volume for 1994 and contributed to an approximate 1% increase in revenue per barrel. Bud family sales-to-retailers increased by 3.5% for the year, led by Bud Light, which continues to grow at double-digit rates, and the introduction of Ice Draft from Budweiser and Ice Draft Light. Importantly, the company's flagship brand, Budweiser, showed an improvement in sales trend during 1994, with only a

Anheuser-Busch, Inc. increased its market share in 1994, with sales volume representing approximately 45% of total domestic brewing industry sales in the U.S.

moderate decline in total sales volume. Bud Ice and Bud Ice Light will replace the company's Ice Draft brands in March. Innovative new packaging and the equity of the Bud Ice bar call will strengthen brand participation in the important ice beer segment.

During the third quarter of 1994, Bud Light became the largest-selling light beer in the country and the second-largest beer brand behind Budweiser. Anheuser-Busch beer brands are the leader in the regular, light and nonalcohol beer categories, as well as the leader in each of the four price segments.

Anheuser-Busch, Inc. increased its domestic market share (excluding exports) during 1994 compared to 1993 by .3 share points, with sales volume representing 45.0% of total domestic brewing industry sales (including imports, nonalcohol brews and other malt beverages), according to estimates based on information provided by the Beer Institute. Anheuser-Busch has led the brewing industry in sales volume and market share each year since 1957.

The increases in gross and net sales in 1993 as compared to 1992 were due to higher beer volume sales as well as higher sales by the company's entertainment subsidiaries. However, net revenue per barrel declined approximately 1% in 1993 due primarily to competitive pricing, brand and package mix shifts and geographic trends.

Anheuser-Busch sold an industry record of 87.3 million barrels of beer in 1993, an increase of one-half of one percent (.5%) compared to 1992 beer volume of 86.8 million barrels. The company's 1993 beer volume gains, built from the largest volume base in the industry, were achieved despite severe economic weakness in key selling areas such as the West Coast and Northeast.

Considering the competitive conditions in the beer industry, the company's premium beer brands performed well during 1993. Budweiser continued to dominate across all demographic segments. Bud Light had an excellent year in 1993 with double-digit growth.

The company began production at its 13th brewery in the spring of 1993 in Cartersville, Ga. The Cartersville brewery is the most modern and efficient of the company's breweries and is currently operating at more than one-half its ultimate capacity. When fully operational in June 1995, the Cartersville brewery will be able to produce up to 6.5 million barrels of beer annually.

The increases in gross and net sales in 1992 as compared to 1991 were due to higher beer volume, higher beer revenue per barrel and higher sales by the company's food products and entertainment subsidiaries.

Anheuser-Busch, Inc. maintained its market share in 1993, with sales volume representing approximately 44.7% of total domestic brewing industry sales (excluding exports) in the U.S. The 1992 market share amount was four-tenths (.4) of a share point higher than 1991.

Cost of Products and Services

Cost of products and services for 1994 was $7.78 billion, a 4.9% increase over the $7.42 billion reported for 1993. This increase follows a 1.5% and 2.2% increase in 1993 and 1992, respectively. The cost increases primarily relate to higher production costs for the company's brewing subsidiary and other beer-related operations, higher attendance at the company's entertainment operations in 1994 and 1993 and higher sales of the company's food products subsidiaries in 1993 and 1992. The increase in cost of products and services in 1992 versus 1991 is also due to higher postretirement medical expense accruals resulting from the 1992 adoption of FAS 106.

The increase in cost of products and services has been partially offset each year by the company's ongoing productivity improvement and cost reduction programs as well as favorable packaging costs.

During 1995, packaging costs are expected to increase as a result of higher aluminum costs. However, such increase will be mitigated due to the fact the company has protected pricing on more than half of its 1995 requirements at prices below the current market level.

As a percent of net sales, cost of products and services for 1994 increased slightly to 64.6% compared to 64.5% for 1993 and 64.2% in 1992.

Payroll costs during 1994 totalled $2.47 billion, a decrease of $10 million versus 1993.

Marketing, Distribution and Administrative Expenses

Marketing, distribution and administrative expenses for 1994 were $2.37 billion, an increase of 2.7% compared to 1993 and lower than the overall rate of inflation. These expenses increased in 1994 primarily due to higher beer sales and the addition of marketing and distribution expenses associated with the company's joint venture in Japan, which began operations in September 1993. Expenses for 1993 benefitted from lower postretirement medical costs and the 1993 divestiture of the company's Newark wholesale operation. Accordingly, this category of expense was flat in 1993 as compared to 1992. The 1992 level reflects an increase of 8.6% versus 1991.

Marketing, distribution and administrative expenses increased in 1992 as a result of the higher level of marketing activity, continuing development of new products and beer brands together with related new advertising and marketing programs, the introduction of new entertainment attractions, and the adoption of FAS 106.

Areas of cost increase incurred by the company since 1991 include media advertising, point-of-sale materials and developmental expenses associated with new advertising and marketing programs for established as well as new products, payroll and related costs, business taxes, depreciation, supplies and general operating expenses.

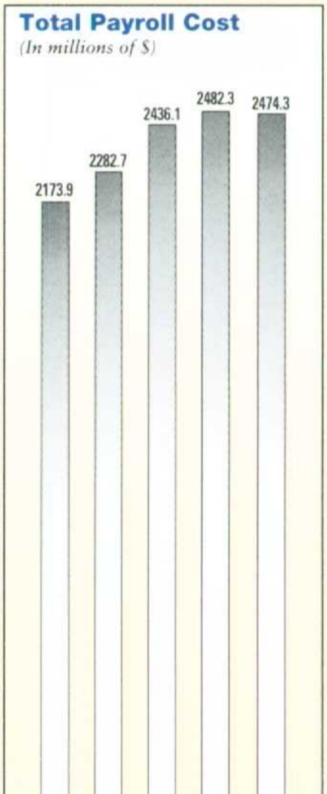
Taxes and Payroll Costs

The company is significantly impacted by federal, state and local taxes. Taxes applicable to 1994 operations (not including the many indirect taxes included in materials and services purchased) totalled $2.63 billion and highlight the burden of taxation on the company and the brewing industry in general. Taxes for 1994 increased $225 million or 9.3% versus 1993 taxes of $2.41 billion. This increase follows a decrease of 5.8% in 1993 and an increase of 3.5% in 1992.

The significant increase in total taxes for 1994 is due primarily to higher income taxes resulting from the company's substantially higher earnings level (on an as reported basis).

The decrease in total taxes for 1993 is due to the company's lower earnings level as a result of the restructuring charge, offset partially by higher beer excise taxes, the FAS 109 deferred tax revaluation adjustment and the 1% increase in the federal statutory income tax rate effective January 1, 1993.

The increase in total taxes for 1992 over 1991 results principally from higher excise taxes due to the company's increase in beer sales volume and higher income taxes due to the company's higher earnings level.



Payroll costs during 1994 totalled $2.47 billion, a decrease of $10 million versus 1993 payroll costs of $2.48 billion, and reflect the lower number of employees due to the 1993 enhanced retirement program. Payroll costs increased 1.9% in 1993 and 6.7% in 1992, reflecting normal increases in salaries, wages and benefit costs. Payroll costs for 1993 exclude the one-time severance pay and other costs associated with the company's enhanced retirement program. The 1992 increase in payroll costs reflects higher postretirement benefit accruals due to the initial adoption of FAS 106.

Salaries and wages paid during 1994 totalled $1.95 billion. Pension, life insurance

During the second quarter of 1994, a four-year labor contract affecting the majority of the company's beer production employees was ratified.

and health care benefits amounted to $344.1 million and payroll taxes were $177.3 million. Employment at December 31, 1994 was 42,622 compared to 43,345 at December 31, 1993.

During the second quarter of 1994, a four-year labor contract affecting the majority of the company's beer production employees was ratified. The new contract (which expires February 28, 1998) enhances a wage and benefits package that is already the most attractive in the industry. The agreement also establishes an improved framework for the company to increase operating productivity over time.

Operating Income

Operating income represents the measure of the company's financial performance before interest costs and other nonoperating items.

As previously noted, 1993 operating income was affected by the restructuring charge. Net income and earnings per share for 1993 were also affected by the one-time increase in the company's deferred tax liability (FAS 109) resulting from the Revenue Reconciliation Act of 1993. For clarity, all key financial comparisons between 1994 and 1993 are presented on both a "normal operations" basis (excluding the special charges) and an "as reported" basis (including the special charges).

Financial comparison between 1994 and 1993 is as follows:

		Full Year 1994 vs. 1993 ($ in millions, except per share)			
	1994	**1993 Normal Operations**	**% Increase**	**1993 As Reported**	**% Increase**
Operating Income	*$1,899.1*	$1,776.9	6.9%	$1,211.9	56.7%
Pretax Income	*$1,707.1*	$1,615.4	5.7%	$1,050.4	62.5%
Net Income	*$1,032.1*	$ 980.6	5.3%	$ 594.5	73.6%
Fully Diluted Earnings Per Share	*$3.88*	$3.55	9.3%	$2.17	78.8%

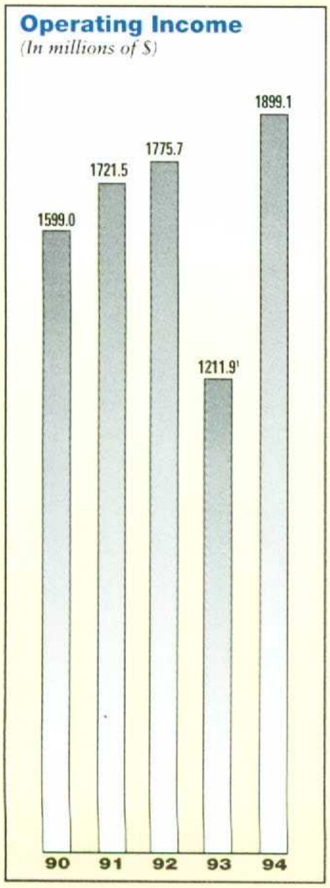
Operating income for 1994 was $1.90 billion, an increase of $122.2 million, or 6.9%, over 1993 on a normal operations basis. Operating income for 1994 increased by 56.7% over 1993 on an as reported basis.

The increase in operating income for 1994 on a normal operations basis is primarily the result of positive domestic and international beer performance, offset by lower earnings at Campbell Taggart (domestic baking operations) and the St. Louis National Baseball Club (attributable primarily to the baseball players' strike which began in August 1994).

The company's baking subsidiary, Campbell Taggart, Inc., reported substantially lower earnings in 1994, with an earnings decline of nearly 50% for the full year 1994 versus 1993. The primary factors responsible for the lower earnings level were:

- Erosion of profit margins due to the limited ability to offset higher ingredient costs with higher prices;
- Lower profits from international operations due to a weak Spanish economy and unfavorable exchange rates; and
- Lower bakery efficiencies than expected.

A series of management and organizational changes have been made at Campbell Taggart to address the production efficiency issues, and steps are being taken to improve the cost structure at the bakeries.



1–Includes 1993 nonrecurring special charges. Excluding such charges, operating income would have been $1,776.9.

Including the restructuring charge, operating income was $1.21 billion for 1993, a decline of 31.8% compared to 1992 operating income of $1.78 billion. Excluding the restructuring charge, operating income for both 1993 and 1992 was $1.78 billion. Operating income for 1992 represented an increase of 3.1% over 1991.

Operating income as a percent of net sales was 15.8% in 1994, 10.5% in 1993 (15.4% excluding the restructuring charge) and 15.6% for 1992.

Net income for 1994 was $1.03 billion, an increase of $51.5 million over 1993 on a normal operations basis.

Net Interest Cost/Interest Capitalized

Net interest cost (interest expense less interest income) for 1994 was $218.1 million, an increase of $15.5 million, or 7.7%, over a net interest cost of $202.6 million for 1993.

The increase in net interest cost for 1994 was due to higher average debt balances outstanding during the period, primarily as a result of financing international brewing investments (mid-1993) and share repurchases.

Net interest cost for 1993 represented an increase of $10.1 million, or 5.3%, when compared to 1992 net interest cost of $192.5 million. The increase in net interest cost during 1993 was due primarily to higher average debt balances outstanding, primarily as a result of financing international brewing investments.

Net interest cost for 1992 declined 16.0% as compared to 1991. The decrease in net interest cost in 1992 was due primarily to a $502.2 million, or 16.0%, reduction in total debt during the year ended December 31, 1991.

Specific information regarding company financing (including the level of debt activity and the leveraged ESOP) and the company's capital expenditure program is presented in the Liquidity and Capital Resources section of this discussion.

Interest capitalized decreased $14.6 million for 1994 as compared to 1993. The decline in interest capitalized for 1994 was related to the spring 1993 start-up of the company's new brewery in Cartersville, Ga., which resulted in the cessation of interest capitalization for completed areas of this facility.

Interest capitalized declined $11.0 million in 1993 as compared to 1992. The decline in interest capitalized in 1993 was also primarily related to the 1993 start-up of the Cartersville brewery. Interest capitalized increased $1.2 million in 1992 as compared to 1991. Interest capitalized fluctuates from year to year depending upon the level of qualified construction-in-progress and the weighted-average interest capitalization rate.

Other Income/(Expense), Net

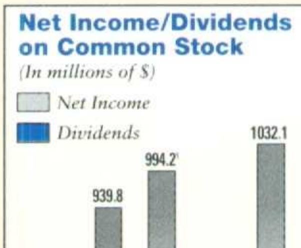
Other income/(expense), net includes numerous items of a nonoperating nature which do not have a material impact on the company's consolidated results of operations (either individually or in the aggregate).

This category provided income in 1994 and 1993 of $4.0 million and $4.4 million, respectively, compared to expense of $15.7 million in 1992. The favorable 1994 and 1993 situation results from the recognition of dividend income from an international investment (Modelo) accounted for under the cost method. The investment was consummated in 1993.

Net Income

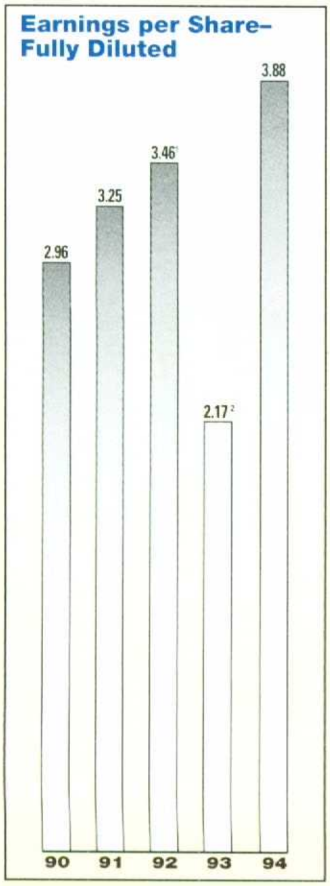
Net income for 1994 was $1.03 billion, an increase of $51.5 million, or 5.3%, over 1993 on a normal operations basis, largely due to domestic and international beer earnings. Net income for 1994 increased by 73.6% over 1993 on an as reported basis.

Because of the restructuring charge and the deferred tax revaluation adjustment, the company reported net income of $594.5 million in 1993, a decline of 35.2% compared to 1992. Excluding these one-time charges, the company would have reported net income of $980.6 million in 1993, a decline of 1.4% compared to 1992.



1–Before cumulative effect of accounting changes.
2–Includes 1993 nonrecurring special charges. Excluding such charges, net income would have been $980.6.

On a normal operations basis, fully diluted earnings per share for 1994 increased 9.3% compared to 1993.



1–Earnings per share before cumulative effect of accounting changes.

2–Includes 1993 nonrecurring special charges. Excluding such charges, fully diluted earnings per share would have been $3.55.

Net income before cumulative effect of accounting changes for 1992 was $994.2 million, an increase of 5.8% compared with $939.8 million for 1991.

The effective income tax rate for 1994 was 39.5%. The effective income tax rate for 1993 of 43.4% is not comparable to 1994 or 1992, due to the impact of the restructuring charge and the deferred tax revaluation adjustment. Excluding these nonrecurring items, the effective tax rate for 1993 was 39.3%, reflecting the retroactive impact of the 1% federal tax rate increase signed into law during 1993. The effective income tax rate was 38.4% in 1992.

Fully Diluted Earnings Per Share

Fully diluted earnings per share for 1994 were $3.88, an increase of 9.3% compared to 1993 on a normal operations basis. Fully diluted earnings per share increased by 78.8% over 1993 on an as reported basis. Earnings per share growth benefitted from fewer shares outstanding due to the company's ongoing share repurchase program.

Because of the restructuring charge and the deferred tax revaluation adjustment, the company reported fully diluted earnings per share of $2.17 in 1993, a decline of 32.2% compared to 1992. Excluding these one-time charges, the company would have reported fully diluted earnings per share of $3.55, an increase of 2.6% compared to 1992.

Fully diluted earnings per share before cumulative effect of accounting changes were $3.46 for 1992, an increase of 6.5% compared with $3.25 for 1991.

The difference between the company's year-to-year percentage change in net income and earnings per share is due to share repurchases.

Fully diluted earnings per share assume the conversion (as of January 1, 1992) of the company's 8% convertible debentures due 1996. In calculating fully diluted earnings per share, weighted average shares outstanding are increased by the assumed conversion of the debentures and net income is increased by the after-tax interest expense on the debentures.

Financial Position

Liquidity and Capital Resources

The company's primary sources of liquidity are cash provided from operating activities and certain financing activities. Information on the company's consolidated cash flows (operating activities, financing activities and investing activities) for the past three years is presented in the Consolidated Statement of Cash Flows in this annual report.

Working capital at December 31, 1994 was $192.6 million as compared to a working capital deficit of $(20.4) million at December 31, 1993. The 1993 working capital deficit was due primarily to the $189.2 million restructuring accrual associated with the 1993 restructuring charge.

Total short-term and long-term debt increased a net $46.7 million in 1994 and $496.8 million in 1993, due to the following:

Debt Issuances

$182.2 million in debt was issued in 1994, versus $699.4 million in 1993.

Year	Type	Amount (millions)	Yield
1994	Commercial Paper/IRB's	$182.2	Various
1993	Commercial Paper	$489.4	Various
	Medium-Term Notes	$ 10.0	Various
	Debentures	$200.0	7.375%

Debt Reductions

$133.5 million in debt was redeemed in 1994, versus $202.6 million in 1993.

Year	Type	Amount (millions)	Yield
1994	Debentures and Other, Net	$104.4	Various
	ESOP Debt	$ 29.1	8.3%
1993	Dual Currency Notes	$ 53.5	8.0%
	Debentures	$149.1	Various
	ESOP Debt	$ 27.9	8.3%

Gains/losses on debt reduction activities (either individually or in the aggregate) were not material to the company's consolidated financial statements during 1994 or 1993.

At December 31, 1994 and 1993, there were $749.3 million and $569.1 million, respectively, of commercial paper borrowings outstanding classified as long-term debt. The commercial paper is intended to be maintained on a long-term basis, with ongoing credit provided by the company's revolving credit agreements.

The company had fully hedged its foreign currency exposure for debt service payments on foreign currency denominated debt (Japanese yen dual currency bonds retired in 1993) through agreements with various lending institutions. A further discussion of the company's foreign currency risk management activities is included in Note 18 to the Consolidated Financial Statements.

In 1989, the company registered with the Securities and Exchange Commission (SEC) a total of $300 million of seven-year convertible debentures (ultimately convertible into common stock) as part of its Wholesaler Investment Program; $241.7 million of the debentures were issued. The debentures are subject to mandatory redemption at the end of seven years, optional redemption/repurchase at the company's or holder's discretion after three years or a special redemption/repurchase based on the occurrence of certain redemption events with respect to particular holders.

The company utilizes SEC shelf registration statements to provide financing flexibility. At December 31, 1994, a total of $340 million was available for debt issuance under shelf registration statements.

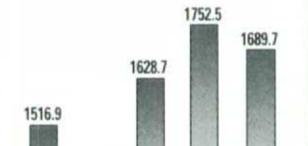
During the next five years, the company plans to continue capital expenditure programs designed to take advantage of growth and productivity improvement opportunities for its beer and beer-related, food products and entertainment segments. Cash flow from operating activities will provide the principal support for these capital investments. However, a capital expenditure program of this magnitude (as well as possible international business acquisitions) may require external financing from time to time. The nature and timing of external financing will vary depending upon the company's evaluation of existing market conditions and other economic factors.

In addition to its long-term debt financing, the company has access to the short-term capital market utilizing its bank credit agreements and commercial paper. The company has formal bank credit agreements which are discussed in greater detail in Note 6 to the Consolidated Financial Statements. During 1994, the company terminated its existing $800 million credit agreements and established a new $1 billion credit agreement. The new credit agreement expires in January 2000. This agreement provides the company with immediate and continuing sources of liquidity.

The company's ratio of total debt to total capitalization was 41.1%, 39.5% and 36.4% at December 31, 1994, 1993 and 1992, respectively. The company's fixed charge coverage ratio was 7.6x for the years ended December 31, 1994 and 1993 and 7.8x for the year ended December 31, 1992.

During the next five years, the company plans to continue capital expenditure programs designed to take advantage of growth and productivity improvement opportunities.

Cash Flow From Operations
(In millions of $)



Through the various company stock ownership plans, employees of Anheuser-Busch control approximately 10% of the company's outstanding common stock.

As more fully described in Note 9 to the Consolidated Financial Statements, the company added an employee stock ownership plan (ESOP) feature to its existing Deferred Income Stock Purchase and Savings Plans in 1989. Approximately 60% of total salaried and hourly employees are eligible for participation in the ESOP. In 1989, the ESOP borrowed $500 million, guaranteed by the company, and used the proceeds to buy approximately 11.3 million shares of common stock from the company. The ESOP shares are being allocated to participants over 15 years as contributions are made to the plan. Through the various company stock ownership plans, employees of Anheuser-Busch control approximately 10% of the company's outstanding common stock.

Capital Expenditures

The company has a formalized and intensive review procedure for the authorization of capital expenditures. The most important measure of acceptability of a capital project is its projected discounted cash flow return on investment (DCFROI).

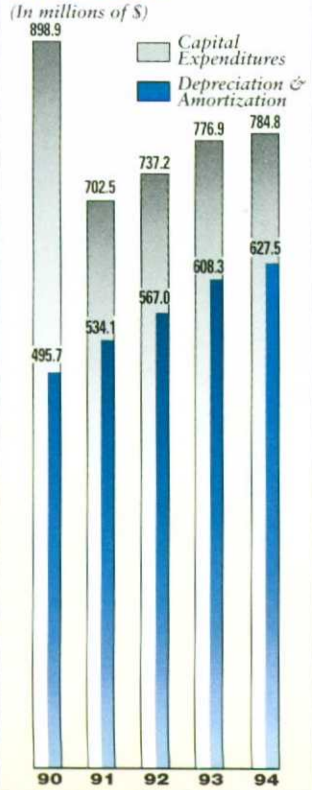
Capital expenditures in 1994 amounted to $784.8 million as compared with $776.9 million in 1993. During the past five years, capital expenditures totalled $3.9 billion.

Capital expenditures for 1994 for the company's beer and beer-related operations were $562.0 million. Major expenditures by the company's brewing subsidiary included numerous modernization projects associated with the Profitability Enhancement Program designed to improve productivity at all breweries.

The remaining 1994 capital expenditures totalling $222.8 million were made by the company's food products and entertainment operations. Major expenditures included numerous Campbell Taggart and Eagle Snacks modernization and productivity improvement projects, as well as new Busch Entertainment attractions.

The company expects its capital expenditures in 1995 to approximate $1.0 billion. Capital expenditures during the five-year period 1995-1999 are expected to approximate $4.5 billion.

Capital Expenditures/ Depreciation and Amortization
(In millions of $)



Environmental Matters

The company is subject to federal, state and local environmental protection laws and regulations and is operating within such laws or is taking action aimed at assuring compliance with such laws and regulations. Compliance with these laws and regulations is not expected to materially affect the company's competitive position. None of the Environmental Protection Agency (EPA) designated clean-up sites for which Anheuser-Busch has been identified as a Potentially Responsible Party (PRP) could have a material impact on the company's consolidated financial statements.

In recognition of the importance of environmental laws and regulations, the company has established an Environmental Policy Committee. This committee, which reports directly to the Audit Committee of the Board of Directors, is comprised of senior company executives.

The mission of the committee is to (a) monitor and interpret environmental policies to ensure high standards of corporate responsibility; (b) establish a framework to assure strict compliance with all environmental regulations in the operations of all of the company's businesses; (c) provide adequate resources—human, financial and physical—required to assure compliance with all environmental laws and policies; and (d) exercise oversight responsibilities for company environmental programs.

Other Matters

During the fourth quarter 1994, Anheuser-Busch, Inc. reached an agreement with Redhook Ale Brewery, Inc. of Seattle, Wash., on an equity investment and distribution alliance. This strategic alliance provides Anheuser-Busch and its wholesalers the

opportunity to efficiently and effectively participate in the small, but growing, micro-brewery segment of the beer market.

Under the agreement, Redhook products will be distributed exclusively through Anheuser-Busch wholesalers in all new U.S. markets (43 markets) entered by Redhook. Also, Anheuser-Busch made a 25% equity investment in Redhook for $17.9 million. Redhook will remain an independent company and will retain complete control of its production and marketing resources. The company is accounting for this investment under the equity method.

Anheuser-Busch's agreement with the Zhongde Brewery gives the company its second stake in the fast-growing Chinese beer market.

In June, the company announced that it had signed a letter of intent to acquire an 80% ownership interest in the Zhongde Brewery in the People's Republic of China. A definitive agreement was finalized in December 1994, with closing of the transaction anticipated during the first quarter of 1995. This acquisition will provide Anheuser-Busch its second stake in the fast-growing Chinese beer market. The Zhongde Brewery is located in Wuhan, China's fifth-largest city, and produces 500,000 hectoliters (425,000 barrels) annually. The brewery, which currently produces the Steinbrau brand, will be modified to brew Budweiser for distribution in China. This investment will be accounted for under the consolidation method.

In June 1993, the company purchased a 17.7% equity interest in Grupo Modelo, Mexico's largest brewer, and its subsidiaries for $477 million. The company is accounting for its investment in Modelo under the cost method. The agreement gives Anheuser-Busch options to increase its investment to a minority position in Modelo of approximately 35% and to acquire an additional minority interest in Modelo's subsidiaries. These options may be exercised between mid-1995 and the end of 1997. The company has not made a decision as to when, or if, these options will be exercised.

Under certain circumstances involving the nonexercise of such options by Anheuser-Busch, at either party's election, Modelo may repurchase approximately half of Anheuser-Busch's investment at cost and repurchase the remainder at a predetermined range. Due to the structure of Anheuser-Busch's initial investment, the company is not required to mark its Modelo investment to market. In addition, the initial investment is configured such that the company's return is largely protected against devaluation of the Mexican peso. Therefore, the recent peso devaluation did not have a significant effect on 1994 earnings.

In July 1993, the company purchased a 5% interest in China's largest brewer, Tsingtao Brewery Co., Ltd., for $16.4 million. The purchase occurred in conjunction with Tsingtao's initial public offering of shares on the Stock Exchange of Hong Kong. This public offering represented approximately 35% of the company, including the 5% purchase by Anheuser-Busch. The initial 5% purchase by Anheuser-Busch is accounted for under the cost method.

In December 1993, the company acquired the remaining 50% of International Label Company for $19.2 million. The acquisition was accounted for using the purchase method of accounting, and the excess cost of the acquisition versus the fair market value of the assets acquired is being amortized on a straight-line basis over 40 years.

Dividends

Cash dividends paid to common shareholders were $398.8 million in 1994 and $370.0 million in 1993. Dividends on common stock are paid in the months of

Annual dividends per common share increased 11.8% in 1994 compared to 1993.

March, June, September and December of each year. In the second quarter of 1994, effective with the September dividend, the Board of Directors increased the quarterly dividend rate by 11.1% from $.36 to $.40 per share. Annual dividends per common share increased 11.8% in 1994 to $1.52 per share compared to $1.36 per share in 1993. In 1994, dividends were $.36 for each of the first two quarters and $.40 for the last two quarters, as compared to $.32 for the first two quarters and $.36 for the last two quarters of 1993.

The company has paid dividends in each of the past 62 years. During that time, the company's stock has split on seven different occasions and stock dividends were paid three times.

At December 31, 1994, common stock shareholders of record numbered 66,001 compared with 67,612 at the end of 1993. Total shares outstanding were 257.3 million at December 31, 1994 compared to 267.0 million at December 31, 1993.

Price Range of Common Stock

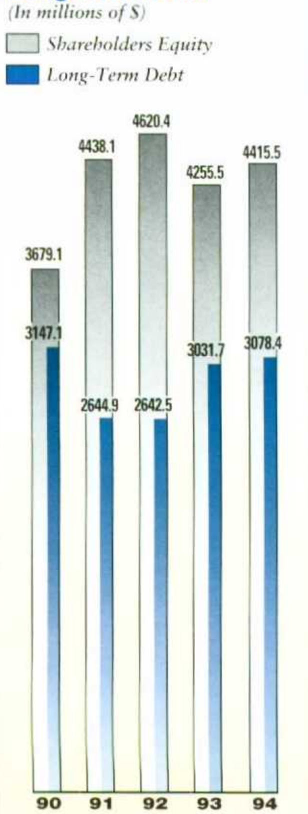
The company's common stock is listed on the New York Stock Exchange (NYSE) under the symbol "BUD." The table below summarizes the high and low sales prices on the NYSE.

PRICE RANGE OF COMMON STOCK (BUD)

	1994		1993	
Quarter	**High**	**Low**	**High**	**Low**
First	53-5/8	47-1/8	60-1/4	50-3/4
Second	55-3/8	50-1/2	53-3/4	46-7/8
Third	54-3/4	49-1/4	48-3/4	43
Fourth	52-1/4	48-1/2	50-5/8	45-1/4

The closing price of the company's common stock at December 31, 1994 and 1993 was $50.875 and $49.125, respectively.

Shareholders Equity/ Long-Term Debt
(In millions of $)



Common Stock and Other Shareholders Equity

Shareholders equity was $4.42 billion at December 31, 1994, as compared with $4.26 billion at December 31, 1993. The increase in shareholders equity during the year is primarily related to the increase in net income partially offset by the share repurchase program and dividends. The book value of each common share of stock at December 31, 1994 was $17.16, as compared to $15.94 at December 31, 1993.

In 1994, the return on shareholders equity was 23.8% as compared to 21.2% in 1993 on a normal operations basis. Including the nonrecurring special charges, return on shareholders equity for 1993 was 13.4%.

The Board of Directors has approved various resolutions in recent years authorizing the company to repurchase shares of its common stock for investment purposes and to meet the requirements of the company's various stock purchase and savings plans. The most recent resolution was approved by the Board in March 1994 authorizing the repurchase of 25 million shares. The company has acquired 10.9 million, 12.6 million and 9.6 million shares of common stock in 1994, 1993 and 1992 for $562.2 million, $639.8 million and $518.7 million, respectively. At December 31, 1994, approximately 19.1 million shares were available for repurchase under the March 1994 authorization.

Inflation

General inflation has not had a significant impact on the company over the past three years and is not expected to have a significant impact in the foreseeable future.

Consolidated Balance Sheet

Anheuser-Busch Companies, Inc., and Subsidiaries

ASSETS (In millions)

December 31,	1994	1993
CURRENT ASSETS:		
Cash and marketable securities	$ 156.4	$ 127.4
Accounts and notes receivable, less allowance for doubtful accounts of $7.7 in 1994 and $6.7 in 1993	784.6	751.1
Inventories		
Raw materials and supplies	421.5	385.5
Work in process	87.8	99.4
Finished goods	115.5	141.8
Total inventories	624.8	626.7
Other current assets	295.8	290.0
Total current assets	1,861.6	1,795.2
INVESTMENTS AND OTHER ASSETS	1,636.1	1,588.0
PLANT AND EQUIPMENT, NET	7,547.7	7,497.1
Total Assets	$11,045.4	$10,880.3

LIABILITIES AND SHAREHOLDERS EQUITY	1994	1993
CURRENT LIABILITIES:		
Accounts payable	$ 850.9	$ 812.5
Accrued salaries, wages and benefits	288.5	243.9
Accrued taxes, other than income taxes	107.8	121.7
Restructuring accrual	52.6	189.2
Other current liabilities	369.2	448.3
Total current liabilities	1,669.0	1,815.6
POSTRETIREMENT BENEFITS	624.3	607.1
LONG-TERM DEBT	3,078.4	3,031.7
DEFERRED INCOME TAXES	1,258.2	1,170.4
COMMON STOCK AND OTHER SHAREHOLDERS EQUITY:		
Common stock, $1.00 par value, authorized 800,000,000 shares	343.8	342.5
Capital in excess of par value	856.8	808.7
Retained earnings	6,656.7	6,023.4
Foreign currency translation adjustment	(21.8)	(33.0)
	7,835.5	7,141.6
Treasury stock, at cost	(3,042.6)	(2,479.6)
ESOP debt guarantee offset	(377.4)	(406.5)
	4,415.5	4,255.5
COMMITMENTS AND CONTINGENCIES	—	—
Total Liabilities and Equity	$11,045.4	$10,880.3

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 48-61 of this report.

Consolidated Statement of Income

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions, except per share data)

Year Ended December 31,	1994	1993	1992
Sales	$13,733.5	$13,185.1	$13,062.3
Less federal and state excise taxes	1,679.7	1,679.8	1,668.6
Net sales	12,053.8	11,505.3	11,393.7
Cost of products and services	7,784.4	7,419.7	7,309.1
Gross profit	4,269.4	4,085.6	4,084.6
Marketing, distribution and administrative expenses	2,370.3	2,308.7	2,308.9
Restructuring charge	—	565.0	—
Operating income	1,899.1	1,211.9	1,775.7
Other income and expenses:			
Interest expense	(221.4)	(207.8)	(199.6)
Interest capitalized	22.1	36.7	47.7
Interest income	3.3	5.2	7.1
Other income/(expense), net	4.0	4.4	(15.7)
Income before income taxes	1,707.1	1,050.4	1,615.2
Provision for income taxes:			
Current	588.6	562.4	561.9
Deferred	86.4	(139.5)	59.1
Revaluation of deferred tax liability (FAS 109)	—	33.0	—
	675.0	455.9	621.0
Net income, before cumulative effect of accounting changes	1,032.1	594.5	994.2
Cumulative effect of changes in the method of accounting for postretirement benefits (FAS 106) and income taxes (FAS 109), net of tax benefit of $186.4 million	—	—	(76.7)
NET INCOME	$ 1,032.1	$ 594.5	$ 917.5
PRIMARY EARNINGS PER SHARE:			
Net income, before cumulative effect	$ 3.91	$ 2.17	$ 3.48
Cumulative effect of accounting changes	—	—	(.26)
Net income	$ 3.91	$ 2.17	$ 3.22
FULLY DILUTED EARNINGS PER SHARE:			
Net income, before cumulative effect	$ 3.88	$ 2.17	$ 3.46
Cumulative effect of accounting changes	—	—	(.26)
Net income	$ 3.88	$ 2.17	$ 3.20

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 48-61 of this report.

Consolidated Statement of Changes In Shareholders Equity

Anheuser-Busch Companies, Inc., and Subsidiaries

SHAREHOLDERS EQUITY (In millions, except per share data)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	ESOP Debt Guarantee Offset	Foreign Currency Translation Adjustment
BALANCE AT DECEMBER 31, 1991	$ 338.5	$ 654.5	$ 5,209.8	$ (1,324.2)	$ (461.2)	$ 20.7
Net income			917.5			
Common dividends ($1.20 per share)			(338.3)			
Shares issued under stock plans and conversion of convertible debentures	2.8	108.4	5.9			
Reduction of ESOP debt guarantee					26.8	
Treasury stock acquired				(518.7)		
Foreign currency translation adjustment						(22.1)
BALANCE AT DECEMBER 31, 1992	341.3	762.9	5,794.9	(1,842.9)	(434.4)	(1.4)
Net income			594.5			
Common dividends ($1.36 per share)			(370.0)			
Shares issued under stock plans	1.2	44.2	4.0			
Reduction of ESOP debt guarantee					27.9	
Treasury stock acquired net of treasury shares issued		1.6		(636.7)		
Foreign currency translation adjustment						(31.6)
BALANCE AT DECEMBER 31, 1993	342.5	808.7	6,023.4	(2,479.6)	(406.5)	(33.0)
Net income			*1,032.1*			
Common dividends ($1.52 per share)			*(398.8)*			
Shares issued under stock plans and conversion of convertible debentures	*1.3*	*48.1*				
Reduction of ESOP debt guarantee					*29.1*	
Treasury stock acquired				*(563.0)*		
Foreign currency translation adjustment						*11.2*
BALANCE AT DECEMBER 31, 1994	*$343.8*	*$856.8*	*$6,656.7*	*$(3,042.6)*	*$(377.4)*	*$(21.8)*

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 48-61 of this report.

Consolidated Statement of Cash Flows

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions)

Year Ended December 31,	1994	1993	1992
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	$1,032.1	$ 594.5	$ 917.5
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	627.5	608.3	567.0
(Decrease)/increase in deferred income taxes	87.8	(106.5)	62.0
Restructuring charge ($565 million less cash payments of $65.1 million)	—	499.9	—
Cumulative effect of accounting changes	—	—	76.7
Decrease/(increase) in noncash working capital	(183.9)	99.6	(13.4)
Other, net	126.2	56.7	18.9
Cash provided by operating activities	1,689.7	1,752.5	1,628.7
CASH FLOW FROM INVESTING ACTIVITIES:			
Capital expenditures	(784.8)	(776.9)	(737.2)
Business acquisitions	(39.3)	(524.3)	(41.4)
Cash (used for) investing activities	(824.1)	(1,301.2)	(778.6)
CASH FLOW FROM FINANCING ACTIVITIES:			
Increase in long-term debt	182.2	689.2	351.3
Decrease in long-term debt	(106.4)	(267.7)	(343.8)
Dividends paid to shareholders	(398.8)	(370.0)	(338.3)
Acquisition of treasury stock	(563.0)	(639.8)	(518.7)
Shares issued under stock plans and conversion of convertible debentures	49.4	49.4	117.1
Cash (used for) financing activities	(836.6)	(538.9)	(732.4)
Net increase/(decrease) in cash and marketable securities during the year	29.0	(87.6)	117.7
Cash and marketable securities at beginning of year	127.4	215.0	97.3
Cash and marketable securities at end of year	$ 156.4	$ 127.4	$ 215.0

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 48-61 of this report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

This summary of significant accounting principles and policies of Anheuser-Busch Companies, Inc. and its subsidiaries is presented to assist in evaluating the company's financial statements included in this report. These principles and policies conform to generally accepted accounting principles.

Principles of Consolidation

The consolidated financial statements include the company and all its subsidiaries. All significant intercompany transactions have been eliminated.

Foreign Currency Translation

Adjustments resulting from foreign currency transactions are recognized in income, whereas adjustments resulting from the translation of financial statements are reflected as a separate component of shareholders equity.

Excess of Cost Over Net Assets of Acquired Businesses

The excess of the cost over the net assets of acquired businesses is amortized on a straight-line basis over a period of 40 years. Accumulated amortization at December 31, 1994 and 1993 was $88.5 million and $74.2 million, respectively.

Inventories and Production Costs

Inventories are valued at the lower of cost or market. Cost is determined under the last-in, first-out method (LIFO) for substantially all brewing inventories and under the first-in, first-out method (FIFO) for substantially all food product inventories.

Plant and Equipment

Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing facilities. Maintenance, repairs and minor renewals are expensed as incurred. When plant and equipment are retired or otherwise disposed, the related cost and accumulated depreciation are eliminated and any gain or loss on disposition is reflected in income or expense.

Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, resulting in depreciation rates on buildings ranging from 2% to 10% and on machinery and equipment ranging from 4% to 25%.

Capitalization of Interest

Interest relating to the cost of acquiring certain fixed assets is capitalized. The capitalized interest is included as part of the cost of the related asset and is amortized over its estimated useful life.

Income Taxes

The provision for income taxes is based on the income and expense amounts as reported in the Consolidated Statement of Income. The company has elected to utilize certain provisions of federal income tax laws and regulations to reduce current taxes payable. Deferred income taxes are recognized for the effect of temporary differences between financial and tax reporting in accordance with the requirements of Statement of Financial Accounting Standards No. 109.

Financial Instruments with Off-Balance-Sheet Risk and Concentration of Credit Risk

The company is party to certain financial instruments with off-balance-sheet risk incurred in the normal course of business. These financial instruments include financial guarantees, forward and option contracts designated as hedges, and interest rate swaps. The company's exposure to credit loss in the event of nonperformance by the counterparty to these financial instruments (either individually or in the aggregate) is not material.

The company does not have a material concentration of accounts receivable or credit risk.

Derivative financial instruments, which are used by the company in the management of interest rate, commodity and foreign currency risk exposures, are accounted for on an accrual basis. Income and expense are recognized in the same category as that arising from the related asset or liability. For

example, the amount to be paid or received under the interest rate swap agreement is recognized as interest expense in the period in which it accrues.

Derivative financial instruments are used solely as hedges to manage existing risks or exposure. Forward, option and swap contracts are standard over-the-counter instruments which are highly liquid. The company controls credit risk by requiring that transactions be entered into with counterparties which have a rating from Standard and Poor's or Moody's that is no lower than an AA- or Aa3, respectively.

The fair value of derivative instruments is monitored based on the estimated amounts the company would receive or pay to terminate the contracts.

Fair Value of Financial Instruments

Long-term debt is the only significant financial instrument of the company with a fair value different than its recorded value. As of December 31, 1994, the fair value of long-term debt was approximately equal to its recorded value of $3.1 billion. The fair value of long-term debt was estimated based on the quoted market values for the same or similar debt issues, or rates currently available for debt with similar terms.

Research and Development, Advertising, Promotional Costs and Initial Plant Costs

Research and development, advertising, promotional costs and initial plant costs are expensed in the year in which these costs are incurred.

Earnings Per Share

Earnings per share of common stock are based on the weighted average number of shares of common stock outstanding during the respective years as shown below (in millions):

	1994	1993	1992
Primary weighted average shares	264.1	274.3	285.8
Fully diluted weighted average shares	269.0	279.3	290.8

Fully diluted earnings per share of common stock assume the conversion of the company's 8% convertible debentures due 1996 and the elimination of the related after-tax interest expense.

Impairment of Long-Lived Assets and Identifiable Intangibles

The company reviews long-lived assets, identifiable intangibles and goodwill for impairment whenever events or changes in business circumstances indicate the carrying amount of the assets may not be fully recoverable. The company performs nondiscounted cash flow analyses to determine if an impairment exists. Impairment losses are determined based on the present value of the cash flows using discount rates which reflect the inherent risk of the underlying business.

Systems Development Costs

The company defers certain systems development costs which meet established criteria. Amounts deferred are amortized to expense over a five-year period beginning in the year subsequent to the cash outlay. Such costs were not material for 1994, 1993 or 1992.

Postemployment Benefits

The estimated cost of postemployment benefits provided by the company to former or inactive employees is accounted for on the accrual basis in accordance with the requirements of Statement of Financial Accounting Standards No. 112.

2—PROFITABILITY ENHANCEMENT PROGRAM

In September 1993, the company announced a Profitability Enhancement Program to improve sales and profitability. The Program, which involved significant organizational and operational changes, included the following elements:

- An enhanced retirement program for salaried employees ($142 million)
- The write-down of underperforming facilities included in the entertainment segment and food products segment ($145 million)
- Restructuring and reorganization of the company ($278 million)

As a result of the Program, the company recognized a $565 million restructuring charge in 1993.

The Program included a 10% reduction in the salaried workforce (approximately 1,200 employees). This reduction was achieved through an enhanced retirement program. The enhanced retirement program offered salaried employees age 53 or older certain incentives and the opportunity to retire effective December 31, 1993. Incentives included pension credits for an additional five years of service and five years of age. The total cost of the enhanced retirement program was $142 million and is discussed in more detail in Note 10.

In addition, as part of the Program, the company restructured and reorganized certain operations at a cost of $278 million. The restructuring and reorganization portion of the Program included relocation of the company's Campbell Taggart, Inc. and Eagle Snacks, Inc. corporate offices to St. Louis; the closing of several smaller nonbeer manufacturing operations; and the rationalization of brewing operations based on the successful practices employed at its newer breweries.

As of December 31, 1994, $52.6 million of the restructuring accrual still exists. This remaining amount relates to planned reorganization and asset disposals which have been approved by management, but not yet fully completed. None of the remaining accrual relates to the enhanced retirement program for salaried employees.

A reconciliation of activity with respect to the restructuring accrual for 1994 activity is as follows (in millions):

Beginning balance, January 1, 1994	$189.2
Asset write-offs associated with the beer and beer-related segment ($66.0) and food products segment ($5.6)	(71.6)
Cash payments associated with the enhanced retirement program	(18.6)
Cash payments for systems development and training costs associated with the enhanced retirement program	(5.3)
Relocation costs associated with moving the food products headquarters from Dallas to St. Louis	(40.0)
Other miscellaneous items, net	(1.1)
Ending balance, December 31, 1994	$ 52.6

It is anticipated that the restructuring accrual will be substantially utilized in 1995, and no additional costs related to the 1993 Profitability Enhancement Program will need to be expensed.

3—ADOPTION IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 1992, the company adopted Statements of Financial Accounting Standards No. 106 (FAS 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions," and No. 109 (FAS 109), "Accounting for Income Taxes."

The company elected to immediately recognize the cumulative effect of adoption of FAS 106/109 pertaining to years prior to 1992 through a one-time adjustment which impacted 1992 net income and earnings per share as follows (in millions, except per share):

	1992 Increase (Decrease)
Postretirement benefits (FAS 106)	$(319.5)
Accounting for income taxes (FAS 109)	242.8
Net income impact	$ (76.7)
Fully diluted earnings per share impact	$ (.26)

Implementation of FAS 106 in 1992 was based on benefit levels in effect at the time of adoption. Certain changes to these benefit levels were implemented in 1993 and 1994, thereby reducing the pre-tax expense level to $48.3 million in 1993 and to $32.6 million in 1994.

Assuming constant statutory tax rates, FAS 109 is not expected to have a significant ongoing financial impact on the company. However, statutory tax rate changes, as occurred in August 1993, require revaluation of the deferred tax liability, with the net change recognized in the income statement in the year the tax rate change is enacted.

4—ACQUISITIONS AND BUSINESS INVESTMENTS

In June 1994, the company announced it had signed a letter of intent to acquire an 80% ownership interest in the Zhongde Brewery in the People's Republic of China. A definitive agreement was finalized in December 1994 and is subject to governmental approval, with closing of the transaction anticipated during the first quarter of 1995. The brewery is located in Wuhan and ranks among the leading brewers in China. The brewery, which currently produces the Steinbrau brand, will be modified to brew Budweiser for distribution in China.

In the fourth quarter of 1994, the company announced the purchase of a 25% equity investment and distribution alliance with the Redhook Ale Brewery, Inc. of Seattle, Wash., for $17.9 million. Under the agreement, Redhook products will be distributed exclusively through Anheuser-Busch wholesalers in all new U.S. markets entered by Redhook. The company is accounting for its investment under the equity method.

In June 1993, the company purchased a 17.7% equity interest in Grupo Modelo, Mexico's largest brewer, and its subsidiaries for $477 million. The company is accounting for its investment in Modelo under the cost method. The agreement gives Anheuser-Busch options to increase its investment to a minority position in Modelo of approximately 35% and to acquire an additional minority interest in Modelo's subsidiaries. These options may be exercised between mid-1995 and the end of 1997. The company has not made a decision as to when, or if, to exercise the options.

Under certain circumstances involving the nonexercise of such options by Anheuser-Busch, at either party's election, Modelo may repurchase approximately half of Anheuser-Busch's investment at cost and repurchase the remainder at prevailing market rates.

In July 1993, the company purchased a 5% interest in China's largest brewer, Tsingtao Brewery Co., Ltd., for $16.4 million. The purchase occurred in conjunction with Tsingtao's initial public offering of shares on the Stock Exchange of Hong Kong. This public offering represented approximately 35% of the company, including the 5% purchased by Anheuser-Busch. The investment is accounted for under the cost method.

In December 1993, the company acquired the remaining 50% of International Label Company for $19.2 million. The acquisition was accounted for using the purchase method of accounting, and the excess cost of the acquisition over the assets acquired is being amortized on a straight-line basis over 40 years.

5—INVENTORY VALUATION

Approximately 68.5% and 66.5% of total inventories at December 31, 1994 and 1993, respectively, are stated on the last-in, first-out (LIFO) inventory valuation method. Had average-cost (which approximates replacement cost) been used with respect to such inventories at December 31, 1994 and 1993, total inventories would have been $99.7 million and $105.5 million higher, respectively.

6—CREDIT AGREEMENTS

The company's revolving credit agreements totaling $800 million were terminated in December 1994. The company's new credit agreement, effective in December 1994, totaling $1 billion expire in January 2000. The agreements provide that the company may select among various loan arrangements with differing maturities and among a variety of interest rates, including a negotiated rate. At December 31, 1994 and 1993 the company had no outstanding borrowings under these agreements. Fees under these agreements amounted to $.8 million, $.9 million and $.6 million in 1994, 1993 and 1992, respectively.

7—LONG-TERM DEBT

Long-term debt at December 31 consisted of the following (in millions):

	1994	1993
Commercial paper	$ 749.3	$ 569.1
Medium-term Notes Due 1995 to 2001 (interest from 4.6% to 9.0%)	225.0	225.0
8-3/4% Notes Due July 15, 1995	100.0	100.0
8% Convertible Debentures Due 1996	233.2	237.1
8-3/4% Notes Due 1999	250.0	250.0
6.9% Notes Due 2002	200.0	200.0
9% Debentures Due 2009	350.0	350.0
7-3/8% Debentures Due 2023	200.0	200.0
ESOP Debt Guarantee	377.4	406.5
Sinking Fund Debentures	263.7	364.6
Industrial Revenue Bonds	112.3	110.3
Other Long-term Debt	17.5	19.1
	$3,078.4	$3,031.7

The company's sinking fund debentures at December 31 are as follows (in millions):

	1994	1993
8-5/8% Debentures maturing 1997 to 2016	$150.0	$150.0
8-1/2% Debentures maturing 1998 to 2017	150.0	150.0
10% Debentures maturing 1999 to 2018	68.0	150.9
Less: Debentures held in treasury	(104.3)	(86.3)
	$263.7	$364.6

The company utilizes SEC shelf registration statements to provide financing flexibility. At December 31, 1994 and 1993, a total of $340 million was available for debt issuance under shelf registration statements.

In 1989 the company registered with the SEC $300 million of convertible debentures, $241.7 million of which were issued to Qualified Holders. The debentures may only be held by a qualified, independently owned beer wholesaler (and certain related parties) and may be converted into a 5% convertible preferred stock, par value $1.00, at a conversion price of $47.60 per share. Each share of the convertible preferred stock may be converted into one share of the company's common stock. The convertible debentures and convertible preferred stock are subject to mandatory redemption at the end of seven years, optional redemption/repurchase at the company's or holder's discretion after three years, and special redemption/repurchase based upon the occurrence of certain events with respect to particular holders.

Gains/losses on debt redemptions (either individually or in the aggregate) were not material to the company's Consolidated Financial Statements.

At December 31, 1994 and 1993, there were $749.3 million and $569.1 million, respectively, of commercial paper borrowings outstanding classified as long-term debt. The commercial paper is intended to be maintained on a long-term basis with ongoing credit provided by the company's revolving credit agreements.

During 1992 the company entered into a financial fixed-rate swap agreement on a notional amount of $200 million. The company is obligated to pay a fixed rate of 6.54% per year for the four-year period beginning January 1, 1994. In return, the company will receive a floating interest rate based on commercial paper rates. The swap agreement did not have a material impact on the company's weighted-average interest rate.

The company utilizes interest rate swaps solely as a risk management tool with an objective of managing the level of interest rate risk, including reducing exposure to changes in interest rates and managing the mix of fixed and floating rate debt.

The aggregate maturities on all long-term debt are $257, $235, $17, $42 and $293 million, respectively, for each of the years ending December 31, 1995 through 1999. These aggregate maturities do not include the future maturities of the ESOP debt guarantee or commercial paper.

8—STOCK OPTION PLANS

The company had an Incentive Stock Option/Non-Qualified Stock Option Plan and a Non-Qualified Stock Option Plan for certain qualified employees which expired on December 21, 1991. Under the terms of the plans, options were granted at not less than the fair market value of the shares at the date of grant. The Non-Qualified Stock Option Plan provided that optionees could be granted Stock Appreciation Rights (SARs) in tandem with stock options. The exercise of a SAR cancels the related option and the exercise of an option cancels the related SAR. At December 31, 1994 and 1993, a total of 2,172,691 and 2,778,824 shares, respectively, were reserved for possible future issuance under these plans.

In April 1990, the shareholders approved an Incentive Stock Plan for certain qualified employees. The plan (as amended) provides for the grant of options and SARs. Under the terms of the plan, options may be granted at not less than the fair market value of the shares at the date of grant. At December 31, 1994 and 1993, a total of 18,362,145 and 19,051,066 shares, respectively, were reserved for future issuance under this plan.

Presented below is a summary of activity for the plans for the years ended December 31:

	1994	1993	1992
Options outstanding at beginning of the year	*11,361,418*	10,887,085	12,285,133
Options granted during the year	*2,341,472*	2,023,400	2,213,026
Options and SARs exercised during the year	*(1,239,763)*	(1,399,573)	(3,464,070)
Options cancelled during the year	*(241,446)*	(149,494)	(147,004)
Options outstanding at end of the year	*12,221,681*	11,361,418	10,887,085
Options exercisable at end of the year	*7,997,168*	8,009,951	8,298,103
Option price range per share	*$20.84-$58.56*	$12.28-$58.56	$10.31-$58.56

The plans provide for acceleration of exercisability of the options upon the occurrence of certain events relating to a change of control, merger, sale of assets or liquidation of the company (Acceleration Events). The Non-Qualified Plan and the Incentive Stock Plan also provide that optionees may be granted Limited Stock Appreciation Rights (LSARs). LSARs become exercisable, in lieu of the option or SAR, upon the occurrence, six months following the date of grant, of an Acceleration Event. These LSARs entitle the holder to a cash payment per share equivalent to the excess of the share value (under terms of the LSAR) over the grant price. As of December 31, 1994 and 1993, there were 1,371,413 and 1,411,379 respectively, of LSARs outstanding.

9—EMPLOYEE STOCK OWNERSHIP PLAN

In 1989, the company added an Employee Stock Ownership Plan (ESOP) to its existing Deferred Income Stock Purchase and Savings Plans. Approximately 60% of all regular salaried and hourly employees are eligible for participation in the ESOP. The ESOP borrowed $500 million for a term of 15 years at an interest rate of 8.3% and used the proceeds to buy approximately 11.3 million shares of common stock from the company. The ESOP debt is guaranteed by the company, and ESOP shares are being allocated to participants over 15 years as contributions are made to the plans.

ESOP cash contributions and ESOP expense accrued during the calendar year are determined by several factors including the market price and number of shares allocated to participants, ESOP debt service, dividends on unallocated shares and the company's matching contribution. Over the 15-year life of the ESOP, total expense will equal the total cash contributions made by the company.

ESOP cash contributions are made in March and September, based on the plan year which ends March 31. A summary of ESOP cash contributions and dividends on unallocated ESOP shares for the three years ended December 31 is presented below (in millions):

	1994	1993	1992
Cash contributions	*$ 41.8*	$ 39.4	$ 33.1
Dividends	*$ 10.9*	$ 10.6	$ 10.4

Total ESOP expense is allocated to operating expense and interest expense based upon the ratio of principal and interest payments on the debt. ESOP expense for each of the three years ended December 31 is presented below (in millions):

	1994	1993	1992
Operating expense	*$ 23.3*	$ 18.6	$ 14.2
Interest expense	*24.0*	21.8	18.8
Total expense	*$ 47.3*	$ 40.4	$ 33.0

10—RETIREMENT BENEFITS

As discussed in Note 2, in September 1993 the company announced a Profitability Enhancement Program that included an enhanced retirement program. Total costs related to the enhanced retirement program were $142 million. Included in this cost was $90 million in special pension benefits, offset by $35 million in curtailment gains (for a net cost of $55 million). Additionally, a $23.5 million charge for postretirement benefits other than pensions is included in the total cost. The remaining portion of the cost relates to severance benefits and other expenses of implementing the plan.

Pension Plans

The company has pension plans covering substantially all of its regular employees. **Total pension expense** for each of the three years ended December 31 is presented below (in millions):

	1994	1993	1992
Single-employer defined benefit plans	*$ 19.0*	$ (2.5)	$ (3.9)
Multi-employer plans	*50.6*	48.4	47.4
Defined contribution plans	*15.1*	13.2	12.6
	$ 84.7	$ 59.1	$ 56.1

Net pension expense/(benefit) for single-employer defined benefit plans was comprised of the following for the three years ended December 31 (in millions):

	1994	1993	1992
Service cost (benefits earned during the year)	*$ 46.2*	$ 45.7	$ 42.0
Interest cost on projected benefit obligation	*68.8*	65.1	60.0
Assumed return on assets	*(84.5)*	(99.5)	(92.3)
Amortization of prior service cost, actuarial gains/losses and the excess of market value of plan assets over projected benefit obligation at January 1, 1986	*(11.5)*	(13.8)	(13.6)
Net pension expense (benefit)	*$ 19.0*	$ (2.5)	$ (3.9)

The key actuarial assumptions used in determining pension expense for single-employer defined benefit plans were as follows for each of the years ended December 31:

	1994	1993	1992
Discount rate	7.5%	9.0%	9.0%
Long-term rate of return on plan assets	10.0%	10.0%	10.0%
Weighted-average rate of compensation increase	5.5%	6.5%	6.5%

The actual gain on pension assets was $16.0 million, $120.4 million and $102.2 million in 1994, 1993 and 1992, respectively.

The following tables set forth the **funded status of all company single-employer defined benefit plans** at December 31 (in millions):

	1994	1993
Plan assets at fair market value—primarily corporate equity securities and publicly traded bonds	$ 961.5	$1,020.0
Accumulated benefit obligation:		
Vested benefits	(718.2)	(721.2)
Nonvested benefits	(61.3)	(58.2)
Accumulated benefit obligation	(779.5)	(779.4)
Effect of projected compensation increases	(132.7)	(135.1)
Projected benefit obligation	(912.2)	(914.5)
Plan assets in excess of projected benefit obligation	$ 49.3	$ 105.5

	1994	1993
Plan assets in excess of projected benefit obligation consist of the following components:		
Unamortized excess of market value of plan assets over projected benefit obligation at January 1, 1986 being amortized over 15 years	$ 60.9	$ 70.9
Unrecognized net actuarial gains/(losses)	(101.3)	(70.9)
Prior service costs	(62.6)	(43.7)
Prepaid pension	152.3	149.2
	$ 49.3	$ 105.5

The **assumptions used in determining the funded status** of these plans as of December 31 were as follows:

	1994	1993
Discount rate	8.0%	7.5%
Weighted-average rate of compensation increase	5.5%	5.5%

Contributions to multi-employer plans in which the company and its subsidiaries participate are determined in accordance with the provisions of negotiated labor contracts and are based on employee-hours worked.

Postretirement Benefits

The company provides certain health care and life insurance benefits to eligible retired employees. Salaried participants generally become eligible for retiree health care benefits after reaching age 55 with 10 years of service or after reaching age 65. Bargaining unit employees generally become eligible for retiree health care benefits after reaching age 55 with 10-15 years of service or after reaching age 65.

The following table sets forth the **accumulated postretirement benefit obligation (APBO) and the total postretirement benefit liability** for all single-employer defined benefit plans at December 31 (in millions):

	1994	1993
Retirees	$186.6	$ 191.7
Fully eligible active plan participants	144.4	139.0
Other active plan participants	94.1	232.6
Accumulated postretirement benefit obligation (APBO)	425.1	563.3
Unrecognized prior service benefits	163.1	109.8
Unrecognized net actuarial gains/(losses)	51.3	(51.2)
Total postretirement benefit liability	$639.5	$ 621.9

As of December 31, 1994 and 1993, $624.3 million and $607.1 million of this obligation was classified as a long-term liability and $15.2 million and $14.8 million was classified as a current liability, respectively.

Net periodic postretirement benefits expense for single-employer defined benefit plans for 1994, 1993 and 1992 was comprised of the following (in millions):

	1994	1993	1992
Service cost (benefits attributed to service during the year)	$ 19.1	$ 21.1	$ 29.8
Interest cost on accumulated postretirement benefit obligation	32.3	39.2	45.5
Amortization of prior service (benefit)	(18.1)	(6.5)	—
Amortization of curtailment (gain)	—	(4.5)	—
Amortization of actuarial (gain)	(.7)	(1.0)	—
Net periodic postretirement benefits expense	$ 32.6	$ 48.3	$ 75.3

In measuring the APBO, a 12.5% annual trend rate for health care costs was assumed for 1992, 1993 and 1994. This rate is assumed to decline ratably over the next 12 years to 6.5% and remain at that level thereafter. The weighted average discount rate used in determining the APBO was 8.5% and 8.0%, respectively, at December 31, 1994 and 1993.

If the assumed health care cost rate changed by 1%, the APBO as of December 31, 1994, would change by 13.0%. The effect of a 1% change in the cost trend rate on the service and interest cost components of net periodic postretirement benefits expense would be a change of 19.9%.

11—INCOME TAXES

The provision for income taxes consists of the following for the three years ended December 31 (in millions):

	1994	1993	1992
Current Tax Provision:			
Federal	$480.2	$459.5	$460.6
State and foreign	108.4	102.9	101.3
	588.6	562.4	561.9
Deferred Tax Provision:			
Federal	74.1	(126.2)	50.3
State and foreign	12.3	(13.3)	8.8
	86.4	(139.5)	59.1
	$675.0	$422.9	$621.0

The deferred tax provision results from differences in the recognition of income and expense for tax and financial reporting purposes. The primary differences are related to fixed assets (tax effect of $57.6 million in 1994, $51.5 million in 1993 and $67.6 million in 1992) and the restructuring charge benefit ($184 million) in 1993.

Under the liability method, at December 31, 1994 the company had deferred tax liabilities of $1,849 million and deferred tax assets of $591 million. The principal temporary differences included in deferred tax liabilities are related to fixed assets ($1,606 million). The principal temporary differences included in deferred tax assets are related to accrued postretirement benefits ($238.9 million) and other accruals and temporary differences ($352.6 million) which are not deductible for tax purposes until paid or utilized.

On August 10, 1993, the Revenue Reconciliation Act of 1993 was signed into law. As a result, the federal statutory income tax rate was retroactively increased, effective January 1, 1993, by 1% to 35%. This resulted in a $33 million nonrecurring, after-tax, noncash charge related to revaluation of the deferred tax liability in accordance with FAS 109.

The company's effective tax rate was 39.5% in 1994, 43.4% in 1993 and 38.4% in 1992. A reconciliation between the statutory rate and the effective rate is presented below:

	1994	1993	1992
Statutory rate	*35.0%*	35.0%	34.0%
State income taxes, net of federal benefit	*4.0*	4.7	3.9
Revaluation of deferred tax liability	—	3.1	—
Other	*.5*	.6	.5
Effective tax rate	*39.5%*	43.4%	38.4%

12—CASH FLOWS

For purposes of the Statement of Cash Flows, all short-term investments with maturities of 90 days or less are considered cash equivalents. Such amounts include marketable securities of $11.4 million in 1994 and $4.8 million in 1993. The effect of foreign currency exchange rate fluctuations was not material for 1994, 1993 and 1992. Accounts payable include $87.1 million and $72.0 million, respectively, of outstanding checks at December 31, 1994 and 1993.

Supplemental information with respect to the Statement of Cash Flows is presented below (in millions):

	1994	1993	1992
Interest paid, net of capitalized interest	*$ 202.9*	$ 168.6	$ 158.0
Income taxes paid	*620.5*	510.2	552.3
Excise taxes paid	*1,692.0*	1,673.4	1,663.0
Changes in Noncash Working Capital			
Decrease/(increase) in noncash current assets:			
Accounts receivable	*$ (33.5)*	$ (101.3)	$ 5.0
Inventories	*1.9*	34.0	(25.1)
Other current assets	*(5.8)*	.3	(50.3)
Increase/(decrease) in current liabilities:			
Accounts payable	*38.4*	75.1	27.6
Accrued salaries, wages and benefits	*44.6*	(13.4)	34.0
Accrued taxes, other than income taxes	*(13.9)*	4.7	6.1
Restructuring accrual	*(136.6)*	—	—
Other current liabilities	*(79.0)*	100.2	(10.7)
Decrease/(increase) in noncash working capital	*$ (183.9)*	$ 99.6	$ (13.4)

Stock Activity

Activity in the company's stock categories for each of the three years ended December 31 is summarized below:

	Common Stock Issued	Common Stock in Treasury
Balance, December 31, 1991	338,452,344	(53,400,560)
Shares issued under stock plans	2,931,179	
Conversions of convertible debentures	16,805	
Treasury stock acquired		(9,597,492)
Balance, December 31, 1992	341,400,328	(62,998,052)
Shares issued under stock plans	1,180,011	
Conversions of convertible debentures	2,100	
Treasury stock acquired		(12,643,125)
Treasury stock issued		95,413
Balance, December 31, 1993	*342,582,439*	*(75,545,764)*
Shares issued under stock plans	*1,133,163*	
Conversions of convertible debentures	*81,927*	
Treasury stock acquired		*(10,961,408)*
Balance, December 31, 1994	*343,797,529*	*(86,507,172)*

At December 31, 1994 and 1993, 40,000,000 shares of $1.00 par value preferred stock were authorized and unissued.

Stock Repurchase Programs

The Board of Directors has approved various resolutions authorizing the company to purchase shares of its common stock for investment purposes and to meet the requirements of the company's various stock purchase and incentive plans. The most recent resolution was approved by the Board in March 1994 authorizing the repurchase of 25 million shares. The company has acquired 10.9 million, 12.6 million and 9.6 million shares of common stock in 1994, 1993 and 1992 for $562.2 million, $639.8 million and $518.7 million, respectively. At December 31, 1994, approximately 19.1 million shares were available for repurchase under the 1994 authorization.

Stockholder Rights Plan

In 1985, the Board of Directors adopted a Stockholder Rights Plan pursuant to which the Board declared a dividend of one preferred stock purchase right on each outstanding share of common stock of the company. The rights have subsequently been amended in certain respects, and the description below reflects the terms of the rights as amended. After the rights become exercisable and until such time as the rights expire or are redeemed, they will entitle the holder to purchase 1/100 of a share of a new Series B Junior Participating Preferred Stock, par value $1.00 per share (4,000,000 shares were reserved for issuance at December 31, 1994 and 1993), at a purchase price of $50 per 1/100 of a share. The rights will become exercisable on the earlier to occur of (i) the tenth calendar day following a public announcement that a person or group (an "Acquiring Person") has acquired 20% or more of the common stock of the company, or (ii) the tenth business day following the commencement of a tender offer or exchange offer by a third party which, upon consummation, would result in such party's control of 30% or more of the common stock of the company.

If, at any time after the rights have become nonredeemable, the company is the surviving corporation in a merger with an Acquiring Person and its common stock is not changed or exchanged, or an Acquiring Person becomes the beneficial owner of 30% or more of the then outstanding shares of common stock, each right will entitle the holder, other than the Acquiring Person, to purchase that number of shares of common stock of the company which has a market value of twice the exercise price of the right.

If, at any time after the rights have become nonredeemable, the company is acquired in a merger or other business combination transaction or 50% or more of its assets or earning power is sold, each right will entitle its holder to purchase that number of shares of common stock of the acquiring company which has a market value of twice the exercise price of the right. The rights are redeemable under certain circumstances at $.025 per right.

In October 1994, the company approved the extension of the existing rights by adopting a share-owner rights plan substantially similar to the rights plan previously described. Under the plan, one right will be issued for each outstanding share of common stock of the company on the earlier of the expiration of the existing rights (December 27, 1995) or the redemption of such rights in accordance with the terms of the company's current rights plan. Each of the new rights will entitle the holder to purchase from the company 1/100 of a share of Series B Junior Participating preferred stock, par value $1.00 per share, at a price of $195 per 1/100 of a share. The new rights are redeemable under certain circumstances at $0.01 per right and will expire, unless earlier redeemed, on October 31, 2004.

14—COMMITMENTS AND CONTINGENCIES

In connection with plant expansion and improvement programs, the company had commitments for capital expenditures of approximately $205.4 million at December 31, 1994.

Obligations under capital and operating leases are not material.

The company and certain of its subsidiaries are involved in certain claims and legal proceedings in which monetary damages and other relief are sought. The company is vigorously contesting these claims. However, resolution of these claims is not expected to occur quickly, and their ultimate outcome cannot presently be predicted. It is the opinion of management that the ultimate resolution of all existing claims, legal proceedings and other contingencies, either individually or in the aggregate, will not materially affect either the company's financial position, liquidity or results of operations.

15—BUSINESS SEGMENTS

The company's principal business segments are beer and beer-related, food products and entertainment. The beer and beer-related segment produces and sells the company's beer products. Included in this segment are the company's raw material acquisition, malting, can manufacturing, recycling, communications and transportation operations.

The food products segment consists of the company's food and food-related operations which include the company's baking and snack food subsidiaries and certain rice operations.

The entertainment segment consists of the company's theme parks, baseball, stadium and real estate development operations.

Sales between segments, export sales and non-United States sales are not material. The company's equity in earnings of affiliated companies is included in other income and expense. No single customer accounted for more than 10% of sales.

Summarized below is the company's business segment information for 1994, 1993 and 1992 (in millions). Intra-segment sales have been eliminated from each segment's reported net sales.

	Net Sales			**Operating Income (1) (2)**		
	1994	**1993**	**1992**	**1994**	**1993**	**1992**
Beer and Beer-Related	*$ 9,231.8*	$ 8,668.9	$ 8,609.6	*$1,786.5*	$1,339.6	$1,645.4
Food Products	*2,132.3*	2,123.2	2,131.1	*43.8*	(84.9)	75.4
Entertainment	*741.5*	741.8	684.3	*68.8*	(42.8)	54.9
Eliminations	*(51.8)*	(28.6)	(31.3)	—	—	—
Consolidated	*$12,053.8*	$11,505.3	$11,393.7	*$1,899.1*	$1,211.9	$1,775.7

(1) Operating income excludes other expense, net, which is not allocated among segments. For 1994, 1993 and 1992 other expense, net of $192.0 million, $161.5 million and $160.5 million, respectively, includes net interest expense, other income and expense, and equity in earnings of affiliated companies.

(2) Operating income for 1993 includes the impact of the one-time, pretax restructuring charge of $565 million as a result of the company's Profitability Enhancement Program. The one-time charge relates to business segments as follows: $267.5 million for the beer and beer-related segment; $165.9 million for the food products segment; and $131.6 million for the entertainment segment.

	Identifiable Assets			Depreciation and Amortization Expense (4)		
	1994	1993	1992	1994	1993	1992
Beer and Beer-Related	$ 7,715.6	$ 7,515.0	$ 6,864.8	$454.6	$429.2	$395.1
Food Products	1,499.1	1,510.4	1,584.1	97.9	103.0	100.9
Entertainment	1,426.7	1,470.5	1,588.2	75.0	76.1	71.0
Corporate (3)	404.0	384.4	500.8	—	—	—
Consolidated	$11,045.4	$10,880.3	$10,537.9	$627.5	$608.3	$567.0

(3) Corporate assets principally include cash, marketable securities, investment in affiliated companies and certain fixed assets.

(4) Consolidated depreciation and amortization expense includes $18.7 million, $17.4 million and $15.8 million of depreciation expense related to corporate assets for 1994, 1993 and 1992, respectively.

	Capital Expenditures		
	1994	1993	1992
Beer and Beer-Related	$562.0	$529.7	$490.4
Food Products	123.0	122.7	109.5
Entertainment	99.8	124.5	137.3
Consolidated	$784.8	$776.9	$737.2

16—ADDITIONAL INFORMATION

Additional balance sheet information (in millions) is summarized below:

	1994	1993
Plant and Equipment:		
Land	$ 294.7	$ 281.9
Buildings	3,527.8	3,445.5
Machinery and equipment	7,842.5	7,656.5
Construction in progress	559.1	343.2
	12,224.1	11,727.1
Accumulated depreciation	(4,676.4)	(4,230.0)
	$ 7,547.7	$7,497.1
Investments and Other Assets:		
Investments in and advances to affiliated companies	$ 670.9	$ 629.5
Investment properties	141.5	151.9
Deferred charges	340.3	310.7
Goodwill	483.4	495.9
	$ 1,636.1	$1,588.0

Summarized below is selected financial information for Anheuser-Busch, Inc. (a wholly owned subsidiary of Anheuser-Busch Companies, Inc.) as of and for the years ended December 31 (in millions):

	1994	1993	1992
Income Statement Information:			
Net sales	$ 7,797.3	$ 7,624.0	$7,669.9
Gross profit	2,937.7	2,844.8	2,875.6(2)
Net income (1)	854.1	712.7(3)	860.5(2)
Balance Sheet Information:			
Current assets	617.6	670.6	
Noncurrent assets	12,096.8	11,185.6	
Current liabilities	724.7	813.2	
Noncurrent liabilities (1)	3,529.9	3,431.4	

(1) Anheuser-Busch, Inc. is co-obligor for all outstanding Anheuser-Busch Companies, Inc. indebtedness. Accordingly, all such debt is included as an element of noncurrent liabilities and the interest thereon is included in the determination of net income.

(2) Gross profit and net income for 1992 reflect the January 1, 1992 adoption of FAS 106. Excluding the adoption of FAS 106, gross profit would have been $2,907.7 million and net income would have been $883.1 million.

(3) Net income for 1993 reflects $89.6 million representing Anheuser-Busch, Inc.'s share of the $565 million pretax restructuring charge.

17—QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 1994 and 1993 (in millions, except per share data) appears below.

	Net Sales		Gross Profit		Net Income/(loss)		Earnings/(loss) Per Share Primary		Earnings/(loss) Per Share Fully Diluted	
	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993
First quarter	*$ 2,627.6*	$ 2,503.4	*$ 893.7*	$ 850.3	*$ 204.4*	$194.1	*$ .76*	$ .69	*$ .76*	$ .69
Second quarter	*3,169.1*	2,990.8	*1,156.6*	1,092.9	*322.5*	308.6	*1.21*	1.12	*1.20*	1.11
Third quarter	*3,297.9*	3,156.7	*1,235.9*	1,179.3	*329.5*	(75.0)	*1.26*	(.28)	*1.24*	(.28)
Fourth quarter	*2,959.2*	2,854.4	*983.2*	963.1	*175.7*	166.8	*.68*	.62	*.68*	.62
Annual	*$12,053.8*	$11,505.3	*$4,269.4*	$4,085.6	*$1,032.1*	$594.5	*$3.91*	$2.17	*$3.88*	$2.17

Third quarter 1993 net income and earnings per share include the impact of the one-time pretax restructuring charge of $565 million related to the company's Profitability Enhancement Program and the $33 million deferred tax liability revaluation charge due to the 1% tax rate increase. Excluding these items, third quarter 1993 net income and fully diluted earnings per share would have been $311.1 million and $1.13, respectively, and net income and fully diluted earnings per share for the year would have been $980.6 million and $3.55, respectively.

18—FOREIGN CURRENCY RISK MANAGEMENT

The purpose of the company's foreign currency hedging activities is to protect the company from excessive volatility in exchange rates. Foreign currency hedges include forward contracts and *purchased* currency options. The company does not hold or issue financial instruments for trading purposes. Financial instruments are rarely sold before maturity, and currency instruments generally do not extend beyond two years. The company primarily hedges exposures arising from the sale of product to foreign customers, or purchases from foreign suppliers. Unrealized gains and losses related to these contracts are immaterial.

The tables below summarize: a) by instrument, the notional amount of outstanding contracts (in millions); and b) by currency, the notional amount of forward and purchased option contracts outstanding (in millions), with a designation of "long" or "short" with respect to the underlying exposure:

	1994 Gross Notional Amount	1993 Gross Notional Amount
Forwards	*$190.0*	$226.2
Options	*$181.7*	$ —

	Net Underlying Exposure		Gross Notional Amount	
	1994	1993	1994	1993
Japanese yen	Long	Long	*$243.0*	$145.8
German mark	Short	Short	*$ 43.5*	$ 50.5
British pound	Long	Long	*$ 54.4*	$ 8.5
Other currencies	Long and Short	Long and Short	*$ 30.8*	$ 21.4

Financial Summary—Operations

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions, except per share data)

	1994	1993	1992
CONSOLIDATED SUMMARY OF OPERATIONS			
Barrels sold	*88.5*	87.3	86.8
Sales	*$13,733.5*	$13,185.1	$13,062.3
Federal and state excise taxes	*1,679.7*	1,679.8	1,668.6
Net sales	*12,053.8*	11,505.3	11,393.7
Cost of products and services	*7,784.4*	7,419.7	7,309.1
Gross profit	*4,269.4*	4,085.6	4,084.6
Marketing, distribution and administrative expenses	*2,370.3*	2,308.7	2,308.9
Restructuring charge	—	565.0	—
Operating income	*1,899.1*	1,211.9(1)	1,775.7(2)
Interest expense	*(221.4)*	(207.8)	(199.6)
Interest capitalized	*22.1*	36.7	47.7
Interest income	*3.3*	5.2	7.1
Other income/(expense), net	*4.0*	4.4	(15.7)
Income before income taxes	*1,707.1*	1,050.4(1)	1,615.2(2)
Income taxes (current/deferred)	*675.0*	422.9	621.0
Revaluation of deferred tax liability	—	33.0	—
Net income, before cumulative effect of accounting changes	*1,032.1*	594.5(1)	994.2(2)
Cumulative effect of changes in the method of accounting for postretirement benefits (FAS 106) and income taxes (FAS 109), net of tax benefit of $186.4 million	—		(76.7)
NET INCOME	*$ 1,032.1*	$ 594.5(1)	$ 917.5
PRIMARY EARNINGS PER SHARE:			
Net income before cumulative effect	*$ 3.91*	$ 2.17	$ 3.48(2)
Cumulative effect of accounting changes	—	—	(.26)
Net income	*$ 3.91*	$ 2.17(1)	$ 3.22
FULLY DILUTED EARNINGS PER SHARE:			
Net income before cumulative effect	*$ 3.88*	$ 2.17	$ 3.46(2)
Cumulative effect of accounting changes	—	—	(.26)
Net income	*$ 3.88*	$ 2.17(1)	$ 3.20
Cash dividends paid:			
Common stock	*398.8*	370.0	338.3
Per share	*1.52*	1.36	1.20
Preferred stock	—	—	—
Per share	—	—	—
Average number of common shares:			
Primary	*264.1*	274.3	285.8
Fully diluted	*269.0*	279.3	290.8

NOTES TO FINANCIAL SUMMARY—OPERATIONS

Note: All per share information and average number of common shares data reflect the September 12, 1986 two-for-one stock split and the June 14, 1985 three-for-one stock split. All amounts reflect the acquisition of Sea World as of December 1, 1989. Financial information prior to 1988 has been restated to reflect the adoption in 1988 of Financial Accounting Standards No. 94, Consolidation of Majority-Owned Subsidiaries.

1991	1990	1989	1988	1987	1986	1985	1984
86.0	86.5	80.7	78.5	76.1	72.3	68.0	64.0
$12,634.2	$11,611.7	$10,283.6	$9,705.1	$9,110.4	$8,478.8	$7,756.7	$7,218.8
1,637.9	868.1	802.3	781.0	760.7	724.5	683.0	657.0
10,996.3	10,743.6	9,481.3	8,924.1	8,349.7	7,754.3	7,073.7	6,561.8
7,148.7	7,093.5	6,275.8	5,825.5	5,374.3	5,026.5	4,729.8	4,464.6
3,847.6	3,650.1	3,205.5	3,098.6	2,975.4	2,727.8	2,343.9	2,097.2
2,126.1	2,051.1	1,876.8	1,834.5	1,826.8	1,709.8	1,498.2	1,338.5
—	—	—	—	—	—	—	—
1,721.5	1,599.0	1,328.7	1,264.1	1,148.6	1,018.0	845.7	758.7
(238.5)	(283.0)	(177.9)	(141.6)	(127.5)	(99.9)	(96.5)	(106.0)
46.5	54.6	51.5	44.2	40.3	33.2	37.2	46.8
9.2	7.0	12.6	9.8	12.8	9.6	21.3	22.8
(18.1)	(25.5)	11.8	(16.4)	(9.9)	(13.6)	(23.3)	(29.6)
1,520.6	1,352.1	1,226.7	1,160.1	1064.3	947.3(3)	784.4	692.7
580.8	509.7	459.5	444.2	449.6	429.3	340.7	301.2
—	—	—	—	—	—	—	—
939.8	842.4	767.2	715.9	614.7	518.0(3)	443.7	391.5
—	—	—	—	—	—	—	—
$ 939.8	$ 842.4	$ 767.2	$ 715.9	$ 614.7	$ 518.0(3)	$ 443.7	$ 391.5
$ 3.26	$ 2.96	$ 2.68	$ 2.45	$ 2.04	$ 1.69(3)	$ 1.42	$ 1.23
—	—	—	—	—	—	—	—
$ 3.26	$ 2.96	$ 2.68	$ 2.45	$ 2.04	$ 1.69(3)	$ 1.42	$ 1.23
$ 3.25	$ 2.95	$ 2.68	$ 2.45	$ 2.04	$ 1.69(3)	$ 1.42	$ 1.23
—	—	—	—	—	—	—	—
$ 3.25	$ 2.95	$ 2.68	$ 2.45	$ 2.04	$ 1.69(3)	$ 1.42	$ 1.23
301.1	265.0	226.2	188.6	148.4	120.2	102.7	89.7
1.06	.94	.80	.66	.54	.44	$.36\frac{2}{3}$	$.31\frac{1}{3}$
—	—	—	—	20.1	26.9	27.0	27.0
—	—	—	—	3.23	3.60	3.60	3.60
287.9	284.6	286.2	292.2	301.5	306.6	312.6	317.4
292.9	289.7	286.2	292.2	301.5	306.6	312.6	317.4

(1) 1993 results include the impact of two nonrecurring special charges. These charges are (1) a restructuring charge ($565 million pretax) and (2) a revaluation of the deferred tax liability due to the 1% increase in federal tax rates ($33 million after-tax). Excluding these nonrecurring special charges, operating income, pretax income, net income and fully diluted earnings per share would have been $1,776.9 million, $1,615.4 million, $980.6 million and $3.55, respectively.

(2) 1992 operating income, income before income taxes, net income and earnings per share reflect the 1992 adoption of the new Financial Accounting Standards pertaining to Postretirement Benefits (FAS 106) and Income Taxes (FAS 109). Excluding the financial impact of these Standards, 1992 operating income, income before income taxes, net income and fully diluted earnings per share would have been $1,830.8 million, $1,676.0 million, $1,029.2 million and $3.58, respectively.

(3) Effective January 1, 1986, the company adopted the provisions of Financial Accounting Standards No. 87 (FAS 87), Employers' Accounting For Pensions. The financial effect of FAS 87 adoption was to increase 1986 income before income taxes $45 million, net income $23 million and earnings per share $.08.

Financial Summary—Balance Sheet and Other Information

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions, except per share and statistical data)

	1994	1993	1992
BALANCE SHEET INFORMATION			
Working capital (deficit)	$ 192.6	$ (20.4)	$ 356.0
Current ratio	1.1	1.0	1.2
Plant and equipment, net	7,547.7	7,497.1	7,523.7
Long-term debt	3,078.4	3,031.7	2,642.5
Total debt to total capitalization	41.1%	39.5%	36.4%
Deferred income taxes	1,258.2	1,170.4	1,276.9
Convertible redeemable preferred stock	—	—	—
Shareholders equity	4,415.5	4,255.5	4,620.4
Return on shareholders equity	23.8%	13.4%(4)	22.0%(2)
Book value per share	17.16	15.94	16.60
Total assets	11,045.4	10,880.3	10,537.9
OTHER INFORMATION			
Capital expenditures	784.8	776.9	737.2
Depreciation and amortization	627.5	608.3	567.0
Effective tax rate	39.5%	43.4%	38.4%
Price/earnings ratio	13.1	22.6(4)	16.9(3)
Percent of pretax profit on net sales	14.2%	9.1%	14.2%
Market price range of common stock (high/low)	55 3/8-47 3/8	60-44 1/8	60 1/2-52 1/8

NOTES TO FINANCIAL SUMMARY—BALANCE SHEET AND OTHER INFORMATION

***Note:** All per share information reflects the September 12, 1986 two-for-one stock split and the June 14, 1985 three-for-one stock split. All amounts reflect the acquisition of Sea World as of December 1, 1989. Financial information prior to 1988 has been restated to reflect the adoption in 1988 of Financial Accounting Standards No. 94, Consolidation of Majority-Owned Subsidiaries.*

(1) This percentage has been calculated by including convertible redeemable preferred stock as part of equity because it was convertible into common stock and was trading primarily on its equity characteristics.

(2) This percent has been calculated based on net income before the cumulative effect of accounting changes.

(3) This ratio has been calculated based on fully diluted earnings per share before the cumulative effect of accounting changes.

(4) These ratios have been calculated based on reported net income. Excluding the two nonrecurring 1993 charges ($565 million pretax restructuring charge and $33 million after-tax FAS 109 charge) return on shareholders equity would have been 21.2% and the price/earnings ratio would have been 13.8.

1991	1990	1989	1988	1987	1986	1985	1984
$ 224.9	$ 14.4	$ (25.7)	$ 15.2	$ 75.8	$ (3.7)	$ 116.0	$ 71.5
1.2	1.0	1.0	1.0	1.1	1.0	1.1	1.1
7,196.5	7,063.8	6,671.3	5,467.7	4,994.8	4,494.9	3,960.8	3,579.5
2,644.9	3,147.1	3,307.3	1,615.3	1,422.6	1,164.0	904.7	879.5
37.3%	46.1%	52.4%	34.2%	33.0%	31.6%(1)	26.9%(1)	28.2%(1)
1,500.7	1,396.2	1,315.9	1,212.5	1,164.3	1,094.0	964.7	757.9
—	—	—	—	—	286.9	287.6	286.9
4,438.1	3,679.1	3,099.9	3,102.9	2,892.2	2,313.7	2,173.0	1,951.0
23.2%	24.9%	24.7%	23.9%	22.4%	20.5%(1)	18.9%(1)	18.2%(1)
15.57	13.03	10.95	10.95	9.87	8.61	7.84	6.91
9,986.5	9,634.3	9,025.7	7,109.8	6,547.9	5,898.1	5,192.9	4,592.5
702.5	898.9	1,076.7	950.5	841.8	796.2	611.3	532.3
534.1	495.7	410.3	359.0	320.1	281.2	240.0	207.9
38.2%	37.7%	37.5%	38.3%	42.2%	45.3%	43.4%	43.5%
18.9	14.6	14.4	12.9	16.4	15.5	14.9	9.8
13.8%	12.6%	12.9%	13.0%	12.7%	12.2%	11.1%	10.6%
61 1/2-39 5/8	45-34 1/4	45 7/8-30 5/8	34 1/8-29 1/8	39 3/4-26 3/8	28 5/8-20	22 7/8-11 7/8	12 3/8-8 7/8

Responsibility for Financial Statements

The management of Anheuser-Busch Companies, Inc. is responsible for the financial statements and other information included in this annual report. Management has selected those generally accepted accounting principles it considers appropriate to prepare the financial statements and other data contained herein.

The company maintains accounting and reporting systems, supported by an internal control system, which management believes are adequate to provide reasonable assurances that assets are safeguarded against loss from unauthorized use or disposition and financial records are reliable for preparing financial statements. During 1994, the company's internal auditors, in conjunction with Price Waterhouse, its independent accountants, performed a comprehensive review of the adequacy of the company's internal accounting control system. Based on the comprehensive review, it is management's opinion that the company has an effective system of internal accounting control.

The Audit Committee of the Board of Directors, which consists of six non-management directors, oversees the company's financial reporting and internal control systems, recommends selection of the company's public accountants and meets with the public accountants and internal auditors to review the overall scope and specific plans for their respective audits. The committee held four meetings during 1994. A more complete description of the functions performed by the Audit Committee can be found in the company's proxy statement.

The report of Price Waterhouse on its examinations of the consolidated financial statements of the company appears below.

Report of Independent Accountants

Price Waterhouse _LLP_

February 6, 1995

One Boatmen's Plaza
St. Louis, MO 63101

To the Shareholders and Board of Directors of
Anheuser-Busch Companies, Inc.

We have audited the accompanying Consolidated Balance Sheet of Anheuser-Busch Companies, Inc. and its subsidiaries as of December 31, 1994 and 1993, and the related Consolidated Statements of Income, Changes in Shareholders Equity and Cash Flows for each of the three years in the period ended December 31, 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of Anheuser-Busch Companies, Inc. and its subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, the company changed its method of accounting for postretirement benefits other than pensions and income taxes in 1992.

Price Waterhouse LLP

THE CORPORATION

Anheuser-Busch Companies, Inc. is a diversified corporation whose subsidiaries include the world's largest brewing organization, the country's second-largest producer of fresh-baked goods and one of the country's largest theme park operators. The company also has interests in container manufacturing and recycling, malt and rice production, international brewing and beer marketing, snack foods, international baking, refrigerated and frozen foods, real estate development, major league baseball, stadium ownership, creative services, railcar repair and transportation services, and metalized-label printing.

WORLD HEADQUARTERS

One Busch Place
St. Louis, Mo. 63118
Phone: 314-577-2000

ANNUAL MEETING

Wednesday, April 26, 1995, 10 a.m.
Williamsburg, Va.

TRANSFER AGENT, REGISTRAR AND DIVIDEND PAYMENTS

Boatmen's Trust Company
510 Locust Street
St. Louis, Mo. 63101
800-456-9852
314-466-1357

DIVIDEND REINVESTMENT PLAN

The company's Dividend Reinvestment Plan allows shareholders to reinvest dividends in Anheuser-Busch Companies, Inc. common stock automatically, regularly and conveniently—without service charges or brokerage fees. In addition, participating shareholders may supplement the amount invested with voluntary cash investments on the same cost-free basis. Plan participation is voluntary and shareholders may join or withdraw at any time. For more information, contact Boatmen's Trust Company (address above).

STOCK EXCHANGE LISTINGS

New York	Zurich
London	Geneva
Frankfurt	Basle
Paris	Tokyo

Traded on these exchanges:
Boston
Midwest
Cincinnati
Pacific
Philadelphia

Ticker Symbol: **BUD**
Newspaper Listing: **AnheuserB**

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP
One Boatmen's Plaza
St. Louis, Mo. 63101

TRUSTEE DEBENTURES/NOTES

For all notes and debentures:

Chemical Bank
450 West 33rd St.
New York, N.Y. 10001
1-800-648-8380

DIVIDENDS

Dividends are normally paid in the months of March, June, September and December.

OTHER INFORMATION

You may obtain, at no charge, a copy of Anheuser-Busch Companies Annual Report to the Securities and Exchange Commission (Form 10-K) by writing to the Vice President and Secretary's office at the corporate address, or by calling 314-577-3889.

Annual Report designed by Busch Creative Services Corporation.

ANHEUSER-BUSCH COMPANIES, INC.

Policy Committee *(*Member of the Corporate Office)*

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Executive Vice President—Chief Financial and Administrative Officer

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Vice President and Group Executive

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Vice President and Group Executive

John H. Purnell
Vice President and Group Executive

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Vice President and Group Executive

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Vice President and Group Executive

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Vice President and Group Executive

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Vice President—Mexico

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Vice President—Corporate Labor Relations

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Vice President—Corporate Research and Development

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Vice President—International Marketing

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Treasurer

Laura H. Reeves
Assistant Secretary

Richard N. Hill
Assistant Treasurer

Ronald S. Burkhardt
Assistant Controller

William J. Mayor
Assistant Controller

John D. Castagno
Assistant Tax Controller

PRINCIPAL OFFICERS OF ANHEUSER-BUSCH COMPANIES SUBSIDIARIES

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Vice President—Wholesale Operations Division

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Vice President—Revenue Management

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Vice President—International Affairs

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Vice President—Human Resources

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Joel A. Murnin
Group Vice President and Chief Financial Officer

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Dean of the School of Business and Industry–Florida A&M University

James B. Orthwei
Partner–Huntleigh Asset Partners, L. a private investme partnership

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Chairman of the Board and Preside J.P. Morgan & C Inc. and Morgan Guaranty Trust Company of New York; an internati commercial and in vestment banking

William H. Webst
Partner–Milbank, Tweed, Hadley & McCloy; attorneys

Edward E. Whitac
Chairman and Ch Executive Officer SBC Communicat Inc.; a national communications corporation

Advisory Member
Antonino Fernand
Chairman and President–Grupo Modelo, S.A. de C a Mexican compa engaged in brewin and related operat

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